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NEWS SUMMARY

GENERAL

French in bid to calm U.S. fears

President Francois Mitterrand yesterday said he would exercise direct control over defence and security matters in an attempt to calm fears over Communist participation in his Government.

The U.S. and other allies have expressed concern about the possibility of defence secrets being leaked to Moscow via French Communist Ministers. Back Page

Whitehall plan hit

A White *Paper says the* Civil Service strike has upset the Government's plan to improve efficiency and cut jobs in Whitehall. Back Page; Disruption, Page 8

Heath warns

Former Conservative *Premier* Edward Heath attacked *the* Government's economic policies and warned of the social dangers of rising unemployment. Page 10

Lords defeat

The Government *was defeated* over the Contempt Bill in the *Lords* when peers backed a move to protect juries from approaches by journalists.

Guerrillas held

Iran's ruling Islamic Republican Party said 50 left-wing guerrillas who planned to destroy *parliament* were *arrested after* a Tehran gun battle.

H block rebuff

H block prisoners rejected as "arrogant and callous" the Northern Ireland Secretary's statement that their quest for political status was in vain. Renning Ireland, Page 10

Royal precedent

Lady Diana Spencer wil lset a Royal precedent when she marires Prince Charles on July 29. She has decided not to swear to obey her husband.

Hoax bomb plea

Ronald *Zen, 42, pleaded guilty* at Bow Street Court to sending a hoax bomb device to the Queen and was remanded in custody for psychiatric reports.

Brothers jailed

Two brothers were jailed for life at the Old Bailey for murdering a 40-year-old man at his stag party in a London wine bar. A third was ordered to be detained indefinitely.

Poster shake-up

Monopolies and Mergers Commision recommended a *major* shake-up in the way poster sites are sold to advertisers in the UK. Page 6

Political funds

Hansard Society for Parliamentary Government recommended *that £5m* of state funds be set aside to finance political parties. Page 10

Smith party wins

The Republican Front Party *of* former Rhodesian leader Ian Smith won the first of two *Zimbabwe* by-elections reserved for whites. Page 3

Crash damages

Three tourists, seriously injured when *their* holiday coach crashed in Morocco killing seven passengers, *were awarded* £49,028 damages in the High Court.

Hana in final

Hana Mandlikova, the 19-year-old No. 2 seed, beat Martina Navratilova for a place in tomorrow's Winmbled on final against No. 1 seed Chirs Lloyd.

Briefly . . .

Tropical storm killed at least 49 people in Philippines.

Mosquito-carried Dengue fever has killed over 30 people in Cuba.

BUSINESS

Gilts weaker; golds rally

● GILTS were undermined by renewed weakness in sterling. The Government Securities index finished 0.58 down at 65.51. Page 34

● EQUITIES leaders were slightly better, and the FT 30 share index finished up 3.9 at 548.7. Page 34

● GOLD MINES index picked up 8.1 for a two-day rise of 12.2 to 274.8, as South African Gold shares rallied further after recent weakness. Page 34

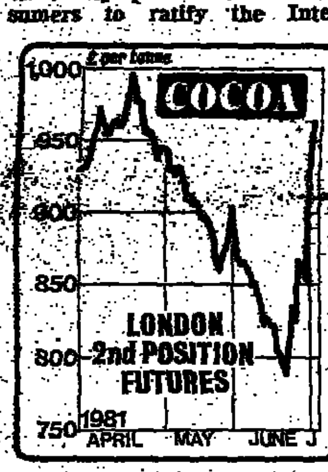
● STERLING fell to its lowest for nearly three years against the dollar, down 2.75 cents at $1.9030. It finished at DM 4.5925 (*DM 4.6275*) and *FFr* 10.91 (FFr 11.03). Its trade-weighted index fell to 931 (94.1). Page 30

● DOLLAR was firmer all round, at DM 2.4125 (DM 2.3955), SwFr 2.0740 (SwFr 2.0460) and *Y228.10* (*Y226.90*). Its trade-weighted index rose to 109.8 (109.0). Page 30

● GOLD lost $1½ *to close* at $425.5. Page 30

● *WALL STREET* was down 6.56 to 970.32 near the close. Page 32

● *COCOA* futures soared despite the continued refusal of some key producers and consumers *to* ratify the International Cocoa Agreement. The *September position was quoted* at £964.5 a tonne, up £111 on the day. Page 33



● COMPANIES BILL clauses covering disclosure of interests in shares have been amended. Back Page

● CONOCO filed a $1bn suit against Seagram to block the Canadian distiller's $2.55bn bid to buy a 41 per cent controlling interest in the ninth largest U.S. oil company. Page 23

● ADAM OPEL, the General Motors subsidiary in West *Germany, plunged into losses* of DM 411m ($172m) in 1980, the first loss recorded by the German company since 1948. Page 27.

● SAINT-GOBAIN, the diversified French industrial group, is to be supported by the French Government *in a rescue* plan for the ailing Logabax mini-computer concern. Page 27

● MARKS AND SPENCER shareholders are being asked to increase authorised share *capital by 100m* shares to meet employee's possible response to *a new savings related share* option scheme. Page 22

COMPANIES

● GRANADA GROUP taxable profits in the 28 weeks to April 11 advanced from £22.9m to £24.44m. Page 22; Lex, Back Page

● AVANA *Group, cake manufacturer,* baker and confectioner, reports pre-tax profits for the year to end March up from £4.35m to £5.45m. Page 23

● SAATCHI & SAATCHI is acquiring Dorland Advertising. The initial £1.5m payable is being met by the issue of 504,838 *Saatchi shares, which* Phillips & Drew has placed at 300p per share. Page 24.

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES

BICC	267	+ 7
Berkeley Hambro	270	+ 6
Davies & Newman	124	+ 7
Finlan (J.)	140	+ 10
Flight Refuelling	387	+ 12
GEC	740	+ 10
Hall (M.)	206	+ 10
Hawker Siddeley	336	+ 8
Intervision	46	+ 4
Laird Group	139	+ 8
Mothercare	208	+ 8
Racal Electronics	426	+ 8
Sainsbury (J.)	434	+ 10
Second City Properties	68	+ 4
Stead & Simpson A	53	+ 4
Stewart Plastics	131	+ 5
Candecca	206	+ 7
Eglington	130	+ 10
Woodside	128	+ 5
Durban Deep	707	+ 64
F. S. Geduld	£16½	+ ½
Pancontinental	385	+ 30

FALLS

Treasury 11¼pc 1985	£93¾	− ⅜
Treasury 2pc I.L.	£97½	− ¾
Assoc. Newspapers	238	− 10
Avana	293	− 7
British Sugar	330	− 9
Extel	203	− 9
First Castle Securities	116	− 4
Polymark	101	− 4
Polymark	101	− 4

Begin almost certain to head coalition government of Israel

BY DAVID LENNON IN TEL AVIV

MR MENAHEM BEGIN, Israel's outgoing Prime Minister, is virtually certain to head the *country's next coalition* Government. He won the race against the opposition Labour Party to secure vital backing from a third party for a Coalition led by his own Likud grouping.

After meeting Dr Yosef Burg, leader of the National Religious Party (NRP), the largest faction holding the balance of seats in the 120-member Knesset (Parliament), Mr Begin said he would be able to announce formation of a coalition *by early next week.*

Dr. Burg said after meeting Mr. Begin that the alliance between the Likud party and the NRP, the coalition which *has ruled Israel for the past* four years, should continue following Tuesday's General Election.

There were *indications* last *night that* Labour *had* already resigned itself to not being able to offer the religious parties the same support for their programmes as could the Right-wing Likud. Without the support of the NRP, neither party *can hope to construct a* workable coalition.

The next government will probably have to rest on a slender parliamentary majority, *possibly controlling no more* than 62 or 63 Knesset seats.

It was not clear last night whether the NRP had set as a condition of its participation in the next coalition the exclusion of the Tami Party, which split last month from Dr Burg's *religious party. Without the* two to three seats won by Tami it will be difficult for Mr Begin to obtain a comfortable majority in the Knesset.

Dr Burg said yesterday he would not be willing to sit in the same coalition as Mr Aharon Abu-Hatzeira, the Tami leader, who had accused Dr Burg *of being responsible for* having put him on trial for bribery.

Mr Abu-Hatzeira, who was Minister of Religious Affairs *until earlier this year,* was acquitted on bribery charges after a *well-publicised court* case.

Although there was a heavy *swing of votes to the Labour* Party, it is expected to win only 49 Knesset seats against the 48 predicted for the Likud. This will leave the balance of power *with the minor religious parties,* which have supported Mr Begin's Government for the last four years.

Final official results of the *election will be published next* Tuesday. Only then will Mr Yitzhak Navon, the President of Israel, begin consultations with the parties on establishing a *new* government.

The sizable increase in the Labour Party's parliamentary strength from 33 seats in the 1977 elections to a prospective 49 came at the expense of the minor Left-wing and centre parties. These were either *reduced to one seat in* the House or did not even obtain the minimum of votes required.

Thus Labour won votes from the very parties which would have otherwise been its natural allies. This situation has contributed to its difficulty in finding enough partners to form a coalition.

The decision of the electorate behind the two major parties, to throw most of its weight which *between them won* over 80 per cent of the votes, also *spells* bad *news* for some potentially vote-winning new parties.

The 1981 elections apparently mark the political demise of one *of modern Israel's most dominant* figures. He is Mr Moshe Dayan, *a former war hero,* Defence Minister and Foreign Minister, who managed to win only one seat for his party in the Knesse, thus ironically *confirming his image* as a lone wolf.

The new ethnic party list, Tami, which appealed to the hundreds of thousands of *traditional religious* Jewish immigrants from North Africa, also polled badly and is not expectedto emerge with more than three seats when the final results *are announced.*

Religious hawks will tip scales, Page 3

Berisford loses bid battle for British Sugar

BY JOHN MOORE

S. & W. BERISFORD, the commodity trader, failed to take over the British Sugar *Corporation* in a £200m bid battle.

Nevertheless, after a campaign *which started in May last year,* Berisford emerged as the largest single shareholder in the corporation. It holds 38 per cent of the equity.

Last night a jubilant Mr John Beckett, British Sugar chief executive, said: "We've cracked a bottle or two to celebrate with a few friends."

Berisford said: "We are disappointed we did not get it this time but we have got a lot of options open to us. British Sugar will have to take note of a shareholder which has an effective controlling stake."

It is not known whether Berisford will seek board representation. Last night the group said: "It is for British Sugar to *make any offer rather than for* us to seek it. We are philosophical."

Mr Beckett said there were no plans to offer Berisford boardroom representation.

The *original bid* led *to a* Monopolies and Mergers Commission reference, which gave it clearance. There followed a renewed bid, later improved, and a lightning *share-buying* purchase by Berisford in the middle of last month. The whole campaign probably cost British Sugar about £1m to fight.

By yesterday afternoon Berisford had built up its stake in British Sugar to more than 40 per cent. This however included acceptances which were dependent on the bid succeeding.

Berisford needed a total 42.56 per cent before a 24.17 per cent stake held by the Government could be swung in favour of Berisford.

The Government said it would support an offer for British Sugar provided the *majority* of uncommitted shareholders indicated support.

Under the rules of the Take-over Code Berisford cannot bid *for British Sugar for 12 months,* although it can buy up to a further 2 per cent of the equity.

It is expected the Government will dispose of its stake although *no* decision has been taken. The advisers to the *Government, Lazard* Brothers, said the matter would have to be decided at ministerial level.

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Oil platform deals for Scotland

BY MARTIN DICKSON, ENERGY CORRESPONDENT

CONTRACTS totalling £150m *have been won* by two Scottish yards to build the deck and hull of a new *floating production* platform for the North Sea's Hutton field.

The deck of the so-called tension leg platform (TLP) will be built by the Ardersier yard of McDermott Scotland and the *hull will* be constructed by Highlands Fabricators at Nigg Bay.

Conoco, formerly Continental Oil, the operator for the eight-company consortium developing the field, said yesterday that the two contracts were *roughly* equal in value.

The Hutton field will see the world's first commercial application of the tension leg floating platform *developed* by Conoco. It is anchored to the seabed by verticle mooring *lines and can be used in* particularly deep waters.

The awards therefore put UK yards at the forefront of a major offshore technological development. Mr Hamish Gray, Minister of State for Energy, said yesterday *the contracts* "*can only* enhance the prospects for UK technology in world markets."

Conoco, which considered Continental as well as UK yards before inviting bids, said it had received tenders for the deck from three yards—all in the UK—and for the hull from two yards, also in Britain.

McDermott, which employs 2,000 men, and Highlands Fabricators, with a workforce of 1,400, each said the contracts would fit in very well with its work schedules. They should ensure continuity next year when present North Sea construction orders were complete.

The awards bring to £310m the value of contracts placed for Hutton field. Total development costs for the field were *forecast two years ago at £600m* but Conoco admitted yesterday there had been a "significant" increase since then.

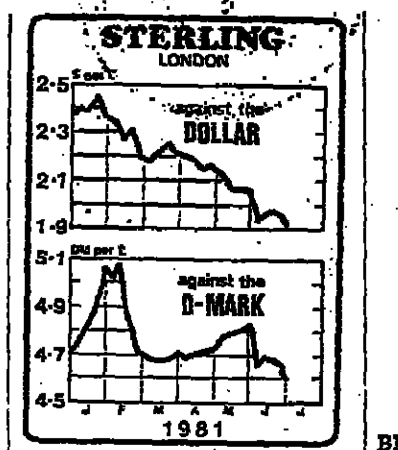
Hutton, estimated to contain 250m barrels of oil, straddles blocks 211/27 and 211/28 in the *North Sea some 90 miles North*-east of Sullom Voe in the Shetlands. It is due to come on stream early in 1984.

The floating production plat*form will lie above a seabed* template—installed in May—through which at least 24 wells are to be drilled.

The aim is to drill 13 of them before the platform is installed so that production can begin *immediately at 90,000 barrels* a day, around the field's peak level. A start was made this week on drilling the first of these early wells.

Conoco's partners in Hutton field are the British National Oil Corporation, Gulf Oil, Amoco, British Gas, Mobil, Amerada Petroleum and Texas Eastern.

Background, Page 6



Sterling falls to 3-year low

By David Marsh

STERLING yesterday fell to its lowest level against the dollar for nearly three years, finishing *in London* at $1.9030, down 2.75 cents from Tuesday's close.

The dollar strengthened generally, buoyed by higher U.S. interest rates and a grow*ing belief on foreign exchanges* that the American monetary squeeze could intensify.

The pound also weakened against other major currencies. *Its trade-weighted index* calculated by the Bank of England dropped to 93.1 from 94.1 on Tuesday, the lowest since January last year.

The weakness of sterling and fears of higher U.S. interest rates depressed *the UK gilts* market, where long-dated stocks closed up to £½ lower.

Part of the pound's fall yesterday reflected its drop late *on Tuesday in New York, where* it closed at $1.9120.

The dollar climbed in London to close at DM 2.4125 against DM 2.3955 on Tuesday. It *finished slightl ybelow* the day's peak, but has returned to about the heavy dollar demand early the high levels reached during last month.

The main influence on exchange markets was a fresh rise in Eurodollar *interest* rates amid considerable tightness on the New York money market. With the regular Wednesday make-up affecting the market *in New York,* the Federal *funds* rate reached 23 per cent by mid-session yesterday.

Three- month Eurodollar rates in London rose [illegible] of a *percentage point* to 17[illegible], with larger gains registered in longer periods.

The dollar's overall firmness was reflected in its rise to SwFr 2.0740 (SwFr 2.0460), Y228.10 (Y226.90) and FFr 5.7335 (*FFr* 5.7155).

Sterling fell to DM 4.5925 from DM 4.6275 and to FFr 10.915 from FFr 11.03.

Gold closed in London at $425.50 per ounce, $1.50 below Tuesday's finish and the lowest London close *since November,* 1979.

Money Markets, Page 30

Telecom seeks another rise in phone charges

BY GUY DE JONQUIERES

BRITISH TELECOM is preparing to seek Government approval to increase its charges in November, though by less than 10 per cent.

The rise is expected to be substantially higher for residential telephone subscribers and lower for business customers.

British Telecom increased charges by an average of 17 per cent last November. That followed a rise averaging 12.5 per cent the previous January.

The organisation wants to change its tariff structure to reduce the loss it makes on local *calls, which* are heavily subsidised out of revenues from profitable long-distance and international traffic.

It has warned that residential telephone bills may rise even more steeply—by as much as 50 per cent—*if the Government* goes ahead with proposals to allow private competitors to offer services on its circuits and set up rival communications *networks.*

British Telecom fears that freer competition would sharply erode its profits, particularly on its long-distance service.

Sir Keith Joseph, the Industry Secretary, is due to decide next month on *the liberalisation of* communications services. British Telecom's latest tariff proposals are likely to be interpreted as part of its campaign to limit *the relaxation of its monopoly.*

The organisation's finances have suffered from the recession. It made a £19.1m loss in its first half, ended September 30, and its full-year results due *out in* August are expected to be down on last year's £236.1m profit.

Revenues from international traffic are understood to have picked up in recent months. But domestic services, which account *for most of* British Telecom's business, are believed to have stayed almost flat.

There is evidence that the last two increases in charges *are partly to blame.* There has been a sharp rise in the number of subscribers asking *to have* their telephones disconnected and a reduction in the volume of calls on some routes.

Meanwhile, new attempts are being made in *Whitehall to give* British Telecom greater freedom to raise external finance over the medium term.

The Government recently approved a £200m increase in British Telecom's current external financing limit. But the Industry Department believes that if it is to compete effectively, the organisation should be assured access to substantially increased investment funds.

The Treasury has not yet *made* its *views plain.* But there have been indications that in return for considering any relaxation in the financial constraints on British Telecom, it *may* insist that it commits itself to improving its performance by *increasing productivity.*

The Treasury imposed similar conditions on British Rail in exchange for approving its electrification programme.

Hull telephone computerisation, Page 6

Loss-making Norvic shoe company calls in Receiver

BY ALAN FRIEDMAN

NORVIC SECURITIES, the loss-making Norwich shoe manufacturer, *yesterday called in the* Receiver. The move, decided on in conjunction with Barclays Bank, came only a few months after the company won a last *minute* reprieve *from* its banker.

Norvic, which made a pre-tax loss of £1.8m in the year to end December last, said yesterday the move became necessary because the level of the group's *orders for children's 'shoes,* a vital part of branded turnover, had fallen dramatically. As a result, Mr M. Jordan and Mr R. Stone of Cork Gully were appointed by Barclays Bank.

Barclays said yesterday it was currently supporting British industry to the tune of more than £250m and this was beyond the level of prudence. But there would *be no change in the* bank's policy or attitude.

As to Norvic, Barclays said: "This is not the first of a

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£ in New York

	June 30	Previous
Spot	$1.9175-9185	$1.9470-9480
1 month	1.08-1.15 pm	1.10-1.17 pm
3 months	2.60-2.70 pm	2.68-2.78 pm
12 months	5.55-5.75 pm	5.55-5.75 pm

CONTENTS

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EUROPEAN NEWS

FT writers examine some recent economic developments in Comecon on the eve of its Prime Ministers' meeting

Bad distribution aggravates Polish shortages

BY ANTHONY ROBINSON, EAST EUROPEAN CORRESPONDENT

THE WAY in which bad organisation and a faulty distribution system is exacerbating the shortages and bottlenecks in the Polish economy has been underlined dramatically by a report from the Baltic port of Szczecin. It said that 14 Polish and foreign grain ships are awaiting unloading. The city's 50,000 ton capacity grain silos are already full, rail trucks to carry away grain are unavailable and no instructions have been received as to the final destination of the cargoes awaiting unloading.

Meanwhile, many bakeries have cut their output for lack of flour and, as the grain harvest approaches, lack of storage poses the risk of substantial crop losses. At the same time, cigarette rationing has been introduced in six Polish provinces.

Warsaw Radio furthermore has revealed that the Government's food subsidy bill is expected to soar to $7.6bn this year, of which $5.8bn is due to subsidies on meat, poultry and fats which are currently rationed.

The radio warned that the meat ration will shortly be reduced by 5 per cent and that sharp food price rises are inevitable if the subsidy is to be reduced. At the same time, however, the Government has decided to increase food supplies to coal miners in an attempt to pursuade them to work extra shifts and so remedy the dramatic fall in coal production.

Coal is Poland's principal hard currency export commodity and Prime Minister Wojciech Jaruzelski made a personal visit to the Silesian coal basin this week to plead for higher output.

He also emphasised Poland's need to keep faith with its Comecon partners and praised the Soviet Union for providing both a security and economic umbrella for Poland.

"Had it not been for assistance from the Soviet Union, had it not been for supplies of Soviet raw materials, loans, credits and the postponement of our debts payments, it would be difficult to imagine what situation we would be in today," he said.

He called on Poles to recognise the advantages to Poland of membership of Comecon, to recognise the problems which the Polish crisis has caused Poland's allies and to stop irresponsible anti-Soviet and anti-socialist words and actions.

The Prime Minister also confirmed the Government's commitment to wide-ranging economic reform and revealed that he had just held talks with the Hungarian Deputy Premier who underlined that Hungary's "new economic mechanism" had taken years to bring into operation and that many problems had still not been solved. The Hungarian economic reform is now being held out in Poland and other East European countries, including the Soviet Union, as a legitimate model for study and adaptation to national circumstances elsewhere in the bloc.

Jaruzelski . . . personal plea

E. Germany to help improve Soviet consumer products

BY LESLIE COLITT IN EAST BERLIN

EAST GERMANY is to devote a larger proportion of its economic resources up to 1990 to help improve the production of consumer goods in the Soviet Union under agreements signed at the annual meeting of their joint economic and technical co-operation commission. It will also provide new technology for the Soviet electrical engineering, precision instrument, construction, ceramic and glass industries.

The agreements underscore the costly East German role in transferring more up-to-date technology to the lumbering Soviet economy.

East German economic officials complain bitterly of the way their relatively advanced economy is being "drained" to provide development aid to the less developed Comecon countries, including Vietnam, Cuba, and the Soviet Union.

Some 140 Soviet and East German factories are to be linked in an attempt to boost the standard of Soviet consumer goods production.

This ties up the resources of the East German plants in designing and producing consumer goods for the Soviet market which are considerably less sophisticated than those East Germany produces by itself.

In the past, East Germany has jointly developed production lines with Soviet factories to produce washing machines in the Soviet Union which resemble those sold in the West a generation ago. The result is that East Germany's ability to produce competitive products for Western markets suffers.

Cheap East German washing machines and other appliances are sold in West Germany for little more than it costs to produce them, simply in order to get the precious hard currency.

There is no mention in the joint commission's statement of energy, the one area where East Germany would like to profit more from the Soviet Union. This reflects the freeze in Soviet exports of oil to East Germany of 19m tonnes annually up to 1985.

Instead, East Germany is to provide the Soviet electronics industry with micro-electronic products which East Germany itself is seeking to obtain from Japan and Western European countries.

In a process known as specialisation, whole sectors of East German mechanical and electrical engineering are to be dropped and production is to be taken over by Soviet factories with East German help.

East Germany is also to improve the output from the Soviet ceramics and glass industries and is to modernise Soviet plants producing medical equipment, printing machinery and dyestuffs.

Moscow 'ready to talk on Afghans'

By David Satter in Moscow

SOVIET LEADERS have told Herr Willy Brandt, the former West German Chancellor, that they are ready to accept a political solution in Afghanistan based on security guarantees for that country.

A spokesman for Herr Brandt said yesterday that the Soviet position was set out during talks which the former Chancellor had yesterday and Tuesday with President Leonid Brezhnev and Mr Vadim Zagladin, a Soviet foreign affairs specialist.

According to the spokesman, the Soviet Union is ready to accept a negotiated settlement if all intervention in Afghanistan ceased from Iran and Pakistan and if the country's non-aligned status were guaranteed. Another condition was that the security of the Soviet border must be ensured.

The Soviet suggestions were almost certainly timed to set the stage for the visit to Moscow next week of Lord Carrington, the British Foreign Secretary, who will explain a new Western attempt backed by the European Community to secure a withdrawal of Soviet troops from Afghanistan.

Visits by friendly Western figures are often used by the Soviet leaders for propaganda purposes and, in the absence of an official text, it was not possible to know whether the statement by Herr Brandt's spokesman, represented a change in the official Soviet position.

The Soviet news agency Tass announced briefly on Tuesday night that Lord Carrington was coming to Moscow and a commetary issued at that time suggested that the Soviet position on Afghanistan has not changed. This calls for an end to "outside interference" from Iran and Pakistan and direct negotiations between those countries and Afghanistan in order to end the conflict.

This formula has been reshaped at regular intervals but has remained basically unchanged. It hinges on the Soviet use of the phrase "outside interference" to describe the indigenous Afghan rebellion, part of which is based on Iranian and Pakistani territory and which the Soviet Union is anxious to end. The phrase has not been applied to the presence of Soviet troops in Afghanistan.

Over Poland, Herr Brandt appeared reassured about Soviet intentions and was reported to have said after his meeting with Mr Brezhnev: "I don't have the impression that there is cause for acute concern over Poland."

West German officials said Herr Brandt was told that Moscow is concerned about the "continued unrest" in Poland but he was given no clue to long-range Soviet policy.

Herr Brandt said that he did not believe he had convinced Soviet leaders that the U.S. Administration genuinely wants negotiations on curbing medium-range nuclear weapons in Europe. Mr Brezhnev has blamed the U.S. for delays in starting the talks.

Officials on trial for corruption in Azerbaijan

By Our Foreign Staff

THE DEPUTY Minister for the petrochemical industry in the Soviet Republic of Azerbaijan and four officials have been sacked and placed on trial for corruption, Radio Moscow reports. The Minister is accused of embezzling roubles 4m from the industry over four years with the help of senior management in one of the factories under his control. The funds were spent on a luxurious administration building instead of laboratories and on buying cars, apartments and holiday homes for themselves.

Hungary's reforms begin to bear results

BY OUR EAST EUROPE CORRESPONDENT

THE HUNGARIAN economy has become an object of envy and emulation elsewhere in Comecon as 13 years of dogged persistence with a wide-ranging economic reform programme has started to show tangible results.

Unlike the Poles, who have talked about the need for "economic reform" in loud but imprecise terms, the Hungarian tactic has been to under-play its achievements and insist that it still faces many problems.

This tactic was apparent earlier this week when Hungarian officials announced that national income had dropped by 1 per cent in 1980 and was not likely to increase this year, while investment had dropped by 8 per cent and prices has risen by 5 per cent.

On the surface it looked a fairly unsatisfactory performance. But what these figures fail to reveal is the degree of structural change which has taken place as bureaucracy has been trimmed and enterprises have been faced with a rational pricing structure based on world market prices. Detailed central planning has been replaced by greater emphasis on the price mechanism and a tight monetary policy run by experts at the national bank.

Last year Hungary reported a rouble 505m deficit on its Comecon trading but managed a spectacular improvement on its hard currency trade. A deficit of $926m in 1978 was turned round into a $219m surplus in its hard currency trade in 1980. Mr Tamas Bacskai, managing director of the Hungarian national bank, told businessmen in London last week that this trend is continuing and that the country achieved a $250m surplus over the first quarter of this year.

Part of the improvement is directly attributable to the introduction of world-level prices for energy and other industrial inputs. This has led to considerable cost savings and also allowed Hungary to re-export to hard currency markets some of the products refined from imported Soviet oil. A bumper grain harvest and a radical reform of agriculture have also contributed to Hungary's economic progress.

Despite evidence of the relative success of Hungary's "new economic mechanism," its sophisticated bankers and economic managers tend to play down their achievements when addressing a Comecon or Soviet audience. They fear that boasting would be followed by tougher trade terms being imposed upon them, especially by the Soviet Union which is its main energy and raw material supplier.

Romania turns to Comecon as economic problems grow

BY ANTHONY ROBINSON, EAST EUROPEAN CORRESPONDENT

ROMANIA has been a thorn in the side of Comecon's planners for 20 years. A nationalistic maverick in the Eastern bloc's ranks, it has consistently resisted all attempts to transform the ten-nation Council for Mutual Economic Assistance into a more integrated, organic grouping along the lines of the European Economic Community.

Now, however, with its ambitions stagnating and its economy grossly distorted, the Romanians are ready to change their ways. The formal volte face is expected to take place at the gathering of Comecon prime ministers which starts today in Sofia, Bulgaria.

A combination of domestic economic crisis, burdensome hard currency debts and the need for Soviet oil have forced a radical review of Romania's long-term economic policies. There is a realisation that closer links with Comecon are needed to give both political and economic re-assurance in the difficult years ahead.

There are also signs that recent events in Poland have struck a blow at President Nicolae Ceausescu's confidence in his ability to push ahead with ambitious economic growth plans based on heavy investment in industry at the expense of agriculture and living standards.

Poland has shown all the East European leaders that there are limits beyond which it is no longer possible to push a new generation of citizens who have grown up under Communism but whose aspirations include a decent standard of living and greater political and cultural freedom.

But it is the Romanian regime which appears to have most felt the need for a change. This is not only because Romanians suffer the lowest standard of living in Eastern Europe but also because the economic basis of Romania's hitherto nationalistic existence has been severely croded in recent years.

In the early 1970s Romania lost its former oil self-sufficiency due to a combination of declining yields from long-worked oil fields and rapid expansion of the petro-chemical industry.

This did not stop heavy investment in the petro-chemical and refining industries, however, so that now Romania's domestic oil production is around 12m tons while refining capacity is estimated at 33m tons. With refinery output curently 30 per cent and more below capacity Romania is finding that the cost of refining expensive imported crude, including 1.4m tons from the Soviet Union last year, outweigh the advantages of selling refined products on a depressed world market.

The oil and petro-chemical industry is perhaps an extreme case of what has gone wrong for Romania. But two decades of forced industrialisation based on massive investment, long working hours and low pay have led to similar distortions elsewhere. In essence, policies designed to make Romania a modern industrialised country within the lifetime of the post-war generation have overstretched the capacities of its 22m people and created an unbalanced economic structure.

By trying to do too much too fast in the industrial sphere, Romania has created too wide a spread of industries—including high technology sectors like nuclear engineering and aerospace—and placed impossible strains on infrastructure, skilled labour supply agriculture and living standards.

A combination of domestic economic crisis, burdensome foreign debts and the need for Soviet oil have forced a radical review of Romania's long-term economic policies and a realisation that closer links with Comecon are needed.

Rapid industrialisation has also been accompanied by a steadily rising foreign debt, conservatively estimated at $8.6bn net at the end of 1980, and increasing dependence not only on imported plant and technology but also components, semi-manufactures and raw materials. At the same time low quality products and poor marketing have reduced the scope for exports. The result is a structural balance of payments deficit, growing delays on the payment of foreign suppliers, demands for up to 100 per cent counter-trade and, what is politically most dangerous, the export of more food than is wise in order to earn hard currency.

In a major speech last week, President Ceausescu said "the party - state leadership has decided not to allow any increase in our foreign debt and to take measures to reduce it until it is completely covered." Western bankers, who are eyeing Romania anxiously as a potential crisis area in both the economic and political sense, are sceptical about such boldly stated intentions in view of Romania's deteriorating payments situation.

They feel that President Ceausescu was emboldened to make such a statement by the successful conclusion earlier this month of negotiations with the International Monetary Fund, of which Romania is the sole Comecon member. These led to the approval of two loans totalling $1.46bn. In return, Romania promised to raise domestic retail and wholesales prices, especially food and energy, and to reduce investment and planned growth targets.

A recent study by the Washington-based Wharton Economics Forecasting Associates however, questions the good sense of the IMF decision in view of Wharton's own projections that on current trends Romania's hard currency debt is likely to rise to $16.2bn by the end of 1982 and that the IMF is merely encouraging Romania to carry on largely as before.

Widespread scepticism in the Western financial community was undoubtedly a factor behind President Ceausescu's decision earlier this year unceremoniously to dump the ambitious five year plan targets announced at the November 1979 party congress and to seek closer ties with Comecon.

In his speech last week President Ceausescu announced that targets for industrial growth would be trimmed to an average 7.6 per cent from the 9-10 per cent outlined in the original five year plan while resources would be diverted to agriculture to allow an average 5 per cent annual growth in farm production.

These targets are, however, still considered high by outsiders especially as they are supposed to be accompanied mainly by sharp increases in labour productivity and efficiency. The growth of overall investment will be limited to 5 per cent annually, the President said.

The emphasis of the new plan, like the old, will concentrate on development of Romania's coal and hydro-power potential and nuclear energy (using Canadian Candu technology) with greater emphasis on the development of micro-processors, industrial robots and other aids to higher productivity.

The trouble is that Romanian workers morale is very low. The new technical intelligentsia thrown up by the industrialisation drive is frustrated by rigid central planning, low incomes, restricted travel opportunities, the intrigues and reshuffles of the Ceausescu court and the waste which has accompanied the dash for growth.

President Ceausescu himself has revealed the degree of inefficiency built into the system. Romania, he said last week, consumed as much power as countries with three times Romania's national income

Waste and inefficiency on this scale are the prime reason why Romanians are still so poor after years of massive investment and high nominal growth rates. "We are tired of being treated as mere beasts of burden," a Romanian engineer told me privately.

President Ceausescu has indicated that he is aware of these pent up demands for more freedom and participation in decision making. In last week's speech he even proposed dropping the old Leninist formula of "the dictatorship of the proletariat" and replace it by the phrase "a state of workers' democracy" to describe present day Romania. But Romanians are looking for more than words and although they lack the orgainsation and conspiratorial experience of the Polish working class the pressures for change are likely to grow in the months ahead.

Unusual approach to CAP reform

BY JOHN WYLES IN BRUSSELS

A STRONG drive to exclude EEC Agriculture Ministers from determining the basic shape of common agricultural policy reforms got under way in Brussels yesterday with the establishment of an unusual high level Community working group.

Creation of the group, "at least of ambassadorial rank," was agreed earlier this week by the Community summit in Luxembourg following an initiative by M Gaston Thorn, the European Commission president. He and his colleagues were anxious to prevent their proposals for CAP and budgetary reform falling foul of both the Community's internecine warfare and effective lobbying by special interest groups.

The idea is for a special group to be set up by the Ten's permanent ambassadors to the Community. They will try to agree the broad lines of approach to agricultureal and budgetary reform based on the Commission's proposals.

The ambassadors' discussions will not be any less dominated by national interests than when they meet in Brussels as the Committee of Permanent Representatives (Coreper). But the UK, now occupying the EEC presidency, hopes that the creation of the new ad hoc group will force each government to define in detail its approach to the key issues and will prevent the Agriculture Ministers from going their own, traditionally conservative way.

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M Thorn had wanted to keep Coreper's involvement to a minimum. The Ten's ambassadors are paid to present as members of Coreper the sharpest view of national interests in policy discussions and the Commission's president regards their activities in this role as destructive

Whether the ambassadors can manage to take a more positive approach in the new group than they do in Coreper remains to be seen. But several governments, notably the British and West German now appear so concerned to keep the negotiation of CAP reforms away from the Farm Ministers that they are prepared to take the chance. The Ministers' agreements have always tended to reflect the narrow needs of agriculture

Ian Davidson adds: The Netherlands yesterday endorsed the principle of "far-reaching adjustments" to the Community's agricultural policy, so as to stop the production of structural surpluses and reduce the share of the budget going on farm price support. But it rejected the British demand for a general corrective mechanism on the Community budget.

Speaking to the Royal Institute for International Affairs, Dr Christoph van der Klaauw, the Dutch Foreign Minister, argued that the share of the farm policy in the total budget should be reduced gradually from 70 to 60 per cent by the beginning of 1984. During this time, the Community should work out a new consensus on its future shape and on new fields of activity.

But the restructuring of Community spending, in favour of regional, social, transport and other policies would not provide immediate help to the UK, which should therefore receive "temporary and exceptional relief" along the lines of the agreement hammered out last year.

He opposed a general corrective mechanism, on the grounds that this was not provided for by the Rome Treaty or national legislation, and that it would undermine the principle of financial solidarity in the Community and would destroy the common agricultural policy.

Bonn backs steel plan but stays sceptical

BY ROGER BOYES IN BONN

THE West German Government yesterday approved the EEC's plan for phasing out steel industry subsidies but is still extremely sceptical that the measures will bring the stable market conditions and higher prices urgently needed by its steel producers.

After a Cabinet meeting, Government officials made clear that if the European plan failed Bonn would ask the EEC Commission to take special measures to protect the relatively unsubsidised West German steel industry.

The method would be left up to the Commission, a senior official said, but Bonn was still thinking of a border levy imposed on subsidised European steel imports.

It is also evident that Bonn—while theoretically committed to the abolition of subsidies—has not completely ruled out the possibility of state assistance to West German steel companies.

EEC industry ministers last week agreed on a regime to control production in Europe's steel industry over the next year, a timetable to phase out state aids by the end of 1985 and on a fund to cushion the reduction of steel workers in France, Britain and Belgium.

West Germany is worried that steel subsidies will not be sufficiently phased out and that they will increasingly be used to prop up ageing capacity and depress prices. Leading West German bankers have privately expressed concern about the heavy indebtedness of steel companies, some of which have been forced to sell off land and other assets to keep their heads above water.

The first step towards a tightening up on European imports was announced yesterday. Customs procedures for examining steel imports are to be made more rigorous. This would be a necessary precondition should Bonn have to impose border levies.

At the root of West Germany's distrust of the EEC plan is a deep scepticism about future developments in the French steel industry.

Spain PM gambles on coup probe

By Tom Burns in Madrid

THE SPANISH Prime Minister, Sr Leopoldo Calvo-Sotelo, has taken a calculated risk by ordering that investigations into the February coup attempt should include all serving members of the police and the army who allegedly took part and not just the 32 officers in detention awaiting a court martial.

More than 300 other ranks took part in the seizure of Parliament but they were subsequently released without charges in accordance with the terms of their surrender.

Sr Calvo-Sotelo recently told Parliament that his government did not feel bound by the terms of the pact. The lenient treatment of the rank-and-file rebels had been justified on the grounds that they had been tricked

The calculated gain for the Government is its show of strength and the restoration of a tarnished credibility. The uncompromising line is intended to serve as a warning to those who would follow the orders of fanatical officers.

However, Sr Calvo Sotelo lays himself open to the charge of dishonouring an agreement and of policy inconsistencies. The more serious risk is that the courts martial of the previously uncharged other ranks may rebound on the Government should the military judges decide that the men were acting under orders.

The extreme right-wing newspaper El Alcazar, widely read by the military, has criticised the Government for interfering in the court processes

FitzGerald springs surprises with his new Irish Cabinet

BY STEWART DALBY IN DUBLIN

IRELAND'S new Prime Minister, Dr Garret FitzGerald, has sprung some major surprises with the make-up of his Cabinet.

The chief surprise is the appointment of Mr Jim Dooge, 59, Professor of Civil Engineering at University College, Dublin, as Foreign Minister. Prof Dooge does not at present hold a seat in the Dail (Parliament) or the Senate. The plan is to appoint him to the Senate.

The professor's appointment apparently owes much to his personal and political closeness to Dr FitzGerald. Prof Dooge was in the Senate—and chairman of it for a time—when Dr FitzGerald was a Minister in 1973-77. One leading Fine Gael Minister went so far yesterday as to describe him as "Garret's mentor."

He did not campaign for the Senate in 1977 because of other career pressures. He has been heavily involved, however, in Fine Gael Party work and organisation for the past few years.

Said to be fluent in five languages, Prof Dooge is acknowledged, as is Dr FitzGerald, to be a committed European and to have a good working knowledge of Northern Ireland.

Dr FitzGerald also raised some eyebrows by excluding two major figures of the last coalition Government from his Cabinet. They are Mr Ritchie Ryan and Mr Richard Burke.

Possibly Dr FitzGerald's boldest stroke was to appoint Mr Alan Dukes, 36, to the important post of Minister for Agriculture.

Mr Dukes is only the fourth Deputy since the formation of the State to be given a Cabinet post on his first day in the Dail.

The Labour Party, as widely predicted, secured four of the 15 Cabinet seats. Mr Michael O'Leary, the party leader, has become Deputy Prime Minister. Mrs Eileen Desmond, Minister for Health, becomes the second woman to hold a Cabinet post since the Irish Free State was formed in the early 1920s.

The Cabinet list is:

Prime Minister: **Dr Garret FitzGerald** (Fine Gael); Deputy Prime Minister and Minister for Energy: **Mr Michael O'Leary** (Labour); Minister for Environment: **Mr Peter Barry** (Fine Gael); Minister for Defence: **Mr Jim Tully** (Labour); Minister for Fisheries and Forestry: **Mr Tom Fitzpatrick** (Fine Gael); Minister for Health and Social Welfare: **Mrs Eileen Desmond** (Labour); Minister for Labour and Department of the Public Service: **Mr Liam Kavanagh** (Labour); Minister for Transport and Posts and Telegraph: **Mr Patrick Cooney** (Fine Gael); Minister for Education: **Mr John Boland** (Fine Gael); Minister for Finance: **Mr John Bruton** (Fine Gael); Minister for Industry, Commerce and Tourism: **Mr John Kelly** (Fine Gael); Minister for the Gaeltacht (Irish-speaking areas): **Mr Paddy O'Toole** (Fine Gael); Minister for Justice: **Mr Jim Mitchell** (Fine Gael): Minister for Agriculture: **Mr Alan Dukes** (Fine Gael); Attorney-General: **Mr Peter Sutherland** (Fine Gael).

IEA warns over oil cuts

By Robert Mauthner in Paris

THE INTERNATIONAL Energy Agency (IEA) yesterday warned member-countries against becoming complacent because of the fall in oil usage in 1980 and 1981, which it says, has given a misleading picture of long-term prospects.

In its annual review of energy policies of member-countries, the IEA Secretariat recognised that industrialised countries were making considerable progress in restructuring their economies to use less oil.

But these efforts had to be intensified to avoid a recurrence of tight oil-market conditions that could result in another period of intense price pressure.

On the assumption that OPEC production throughout the 1980s would be about 30m-31m barrels a day, some 3m-4m b/d higher than 1980 production, there would still be a need for higher oil production or a cut in consumption of 4.2m b/d in 1985 and 5.5m b/d in 1990.

Projections made by the 21 IEA member-countries suggest that their combined net oil imports could be about 24m-25m b/d through the 1980s, probably upsetting the supply and demand balance for oil and pushing up prices.

To forestall this, the agency has devised what it describes as a "reference case" scenario for 1985 and 1990, indicating the direction that should be taken to achieve a balanced oil market.

Under this, IEA countries should endeavour to limit net oil imports in 1985 to about 22m-23m b/d

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David Lennon examines the crucial role which a 'third bloc' will play in forming Tel Aviv's next Government

Israel's religious hawks will tip the scales

THE REAL winner in the Israeli General Election on Tuesday was the bloc of four small religious political parties which now holds the balance of power in the Knesset (Parliament) and must be wooed by the two major parties seeking to establish the majority coalition Government.

The Likud party of Mr Menahem Begin, the Prime Minister, and the Labour Party, headed by Mr Shimon Peres, each won about 40 per cent of the vote, but neither can assume power without the aid of the religious bloc which represents 13 per cent of the electorate.

The religious bloc actually lost a little ground in Tuesday's poll, but the heavy defeat of the other small parties has given it virtually absolute power in the political horse-trading during the coming days and weeks.

Following earlier elections, coalition support for the main party came from a number of smaller parties, including some religious groups.

This time, not enough seats are held by the small factions to enable either Likud or Labour to construct a coalition without the participation of the vote of the religious members of the Knesset.

The religious parties are hawkish on relations with the Arabs, and on the future of the occupied West Bank, which they consider to be Judea and Samaria—part of the Biblical land of Israel—which belongs to the Jews by divine right. Therefore, any expectations of moderation from the new Government will be quickly dashed.

The Labour Party will try to persuade some of the religious members of Parliament, who are less hawkish than their party line, to split away and join Mr Peres's potential coalition.

If he did succeed in wooing even three of these Knesset members away from supporting Likud, he could make Mr Begin's attempt to form a Government difficult in the extreme. His chances of such success, however, seem slight.

The dominant religious party for the past 30 years has been the National Religious Party, which has sat in Governments since 1951. In the past, it has been pragmatic and willingly joined Labour-headed coalitions.

Today, it is a key member of Mr Begin's Right-wing Likud Government. It lost almost half of its 12 seats on Tuesday, but still remains the party which can tip the scales towards Labour or Likud.

The second largest religious party is Agudat Israel, with five seats. It represents orthodox Jews and is guided by a Council of Torah (Bible) Sages.

This is a group of elderly rabbis, some of whom do not recognise the state of Israel because it was not created by God.

A third party is the Poalei Agudat Israel, which may hold on to its one seat in the Knesset. Its main strength comes from the orthodox religious settlements.

For the first time, there is a fourth religious party, Tami, which won between two and three seats. It is a splinter from the NRP. It was formed by the dominant party's Minister of Religious Affairs, Mr. Aharon Abuhatzira, who left the party after being tried on bribery charges this year.

All of these factions are conservative. Even the NRP, which has been the most moderate on foreign political issues, has come increasingly under the influence of its hawkish "young Turks."

The anomaly of having religious political parties in a democracy derives from the fact that Jewish immigration to Palestine and Israel comprised both secular and religious extremes of Judaism.

The price extracted by the religious groups has been increasingly high. They control many areas of civil life, such as marriages and burials, which can only be performed by the rabbis.

They have forced religious observance of the sabbath into the law and this means that no shops or places of entertainment can open on Saturday. Even public transport is banned throughout most of the country on the sabbath.

Religious dietary law—Kashrut—is rigidly enforced in the army, and no hotel can obtain a licence unless a special Kashrut supervisor is hired to ensure strict compliance with rabbinical law.

Under the last Begin Government, this role was considerably expanded.

It is expected that the influence of religion in society will increase still further under the next Government, thanks to the power the voters unwittingly gave to religious parties in Tuesday's election.

Mr Menahem Begin, surrounded by supporters, smiles at campaign headquarters yesterday.

Dr Burg, world record-holder

DR YOSEF BURG, leader of the largest religious party in Israel may well at 72 years of age, hold the world record for government service in a democracy. David Lennon writes from Tel Aviv. Dr Burg has been a Cabinet Minister since 1951, through eight Parliaments and under six prime ministers.

Interior Minister since 1970, under both Labour and Likud, he will presumably break his own record with the formation of the new Cabinet.

A shrewd professional politician, Dr Burg, who heads the National Religious Party gained some international prominence when he was appointed in 1979 by Mr Begin to head the Israeli team at the negotiations with Egypt and the U.S. on autonomy for the Palestinians living under Israeli occupation on the West Bank and in the Gaza Strip.

Professing after each session that progress had been made, he effectively held to a hard and unyielding Israeli stance in the talks, which after a year, led President Anwar Sadat of Egypt to suspend the negotiations indefinitely. Dr Burg showed little regret.

Born in Dresden, Dr Burg is an ordained rabbi, who attended Leipzig and Berlin universities, and received a doctorate in mathematics. He arrived in Palestine in 1939 as a research Fellow at the Hebrew university.

When the state of Israel was declared, he became a member of the first Knesset (Parliament) in January, 1949, and has held his seat ever since. Essentially a pragmatist, Dr Burg has recently been fighting a losing battle within his party against the young extremists, who are firmly committed to a hawkish political stance.

Employing the role of king-maker in what should be his political twilight years, Dr Burg will undoubtedly continue to enhance Israeli politics with his broad education, multilingual culture, and droll sense of humour.

Dr Yosef Burg . . . 30 years a Cabinet Minister

Bad news for the Arab countries, worse for the Lebanese

BY JAMES BUCHAN IN BEIRUT

YESTERDAY'S news from Israel is bad for the Arabs. The prospect that Mr Menahem Begin will attempt to form a coalition government of more than 60 seats evokes in most Arabs the immediate fear of greater tension and pressure. But there are sharp differences of opinion, even within the Palestinian movement, over the longer-term dangers or advantages.

Until the Israeli political picture becomes less cloudy there can be no clear-cut Arab reaction. But discussions with Arab officials and Palestinian leaders, on the assumption that Mr Begin continues as Prime Minister, reveal three basic convictions:

- There is no real long-term difference between Mr Begin and Mr Shimon Peres, the Labour leader. All four Middle Eastern wars occurred under a Labour administration, and there is no great difference in the attitude of the two men to the critical Arab issues of contact with the Palestine Liberation Organisation (PLO) and Palestinian statehood. "It is the nature of the Zionist State, not individual interpreters of Zionism, which decides the policy of Israel," one Palestinian said.
- The polarisation of Israeli political life, as revealed by the split electorate and the unprecedented election violence, is felt to pose an immediate danger to the Arab states. They are fearful that increased tension with Israel will result in more erratic Israeli pressure and the chance of military interference in Israeli politics.
- A Labour Government would have improved the atmosphere in the Middle East. Mr Peres has stated his inclination to make territorial concessions—even if involving only a portion of the occupied West Bank and Gaza Strip—to the Jordanian Administration. He appears also to be more susceptible to U.S. pressure. But Mr Begin's re-election would only spur moves, already initiated by the PLO, towards a more plausible Arab unity.

Arab and Palestinian officials are concentrating on three major areas in their analysis of the impact of a second four years for Mr Begin: Lebanon, the moderate Arab states and their relations with the U.S., and the Palestinians.

On Lebanon, Mr Begin, it is expected, would continue his pressure on the organised Palestinian presence in Lebanon, which has had a shattering effect on the chances of that country maintaining any sort of national cohesion. He would also be expected to continue support for elements of the Lebanese Christian Right which have suffered a bad mauling at the hands of the Syrian army in the past three months and which would welcome his victory.

On the "moderate" states: The embarrassment of the moderate countries, most obviously Saudi Arabia, at Arab charges of U.S. connivance at Mr Begin's most spectacular actions—such as last month's raid on the Iraqi nuclear reactor—would only be increased if he returned to power. This would impair their freedom of action and therefore be welcomed by those more extreme Palestinians who believe that their state can be built only on revolution in the Arab world.

On the Palestinians: Most Palestinians recognise that life in the short term could only be more frightening, particularly in Lebanon. But the majority favour Mr Begin, though for widely different reasons. The more moderate element, which would include Mr Yasser Arafat, the PLO chairman, regards Mr Begin as a sound asset for Palestinian public relations and particularly for the Palestinian diplomatic effort in Europe.

But Arab observers warn that the Israeli elections are only one element in the equation. Of more vital importance is the formulation of a U.S. policy towards the Middle East under President Ronald Reagan in the aftermath of the election and what, if any, pressure Washington might be willing to apply.

Mozambique electricity agreement suspended

By Bernard Simon in Johannesburg

THE AGREEMENT for the supply of electricity to South Africa from the Cabora Bassa dam in Mozambique has been suspended in the wake of prolonged disruptions of power supplies from the project.

As a result, the Portuguese company which operates Cabora Bassa, Hidroelectrica de Cabora Bassa (HCB), will not be liable for penalties arising from its inability to supply electricity to the South African grid.

Nor will the South African Electricity Supply Commission (Escom) be obliged to accept power from Cabora Bassa until normal transmission is restored.

Cabora Bassa normally supplies about 8 per cent of South Africa's electricity needs, but Escom has received nothing since part of the line from Mozambique was blown up last April.

According to an Escom spokesman, the damage is in Manica province. Repair teams have not yet been sent in, partly because of the rough terrain and partly because of a heavy concentration of Mozambican dissidents, who are believed to have been responsible for the sabotage.

The loss of supplies from Cabora Bassa has already contributed to several power cuts and "brownouts."

Smith party retains seat

By Our Salisbury Correspondent

MR IAN SMITH'S Republic Front has comfortably retained the Mazoe-Mtoko constituency in the Zimbabwean Parliament in the face of a strong challenge from the new pro-government Democratic Party.

The Democratic Party candidate, Mr Andre Holland, polled 476 votes (nearly 38 per cent) to the RF candidate, Mr Geoff York's 784 votes. Only 1,260 votes were cast in a constituency with a theoretical voters roll of over 4,000.

This reflects the emigration of whites from this rural constituency, the fact that the voters rolls are out of date and the considerable apathy amongst the electors.

OVERSEAS NEWS

40% growth in Australian investment seen

BY COLIN CHAPMAN IN SYDNEY

BUSINESS investments in Australia are likely to have grown by more than 40 per cent *in the past year, far exceeding* earlier forecasts, according to figures released by the Government.

A survey carried out in May revealed that respondents expected to invest a record A$4.1bn (£2.4bn) in the June quarter, 53 per cent higher than the actual level of investment in the same quarter in 1980.

If this is realised, fixed investment in the fiscal year just ended, at A$13.2bn, will be 41 per cent higher than in the previous year.

Statistics issued on Tuesday showed a strong rise in the manufacturing sector in the three months to May.

Increased activity in the construction industry was reflected in a rise of 16 per cent in cement production. There were *also substantial increases* for electric motors, refrigerators, textile floor coverings and woven cloth.

Raw steel rose only 4 per cent, but BHP, the leading producer, argues *that it would have* been *higher* but for heavy destocking, and that the annual lift in output in the year ending May is 40 per cent.

Motor vehicles and beer were the only major sectors showing a downturn.

Although the mining sector is a major factor in the increase in investment intentions—up by 82 per cent—manufacturers are anticipating spending 55 per cent more. The rural sector is pulling the average down because the rising value of the Australian dollar is making farmers apprehensive.

The boom economy is causing increasing concern to the Government, which fears a rise in inflation above the present level *of about 10* per cent. The Cabinet's monetary committee has been involved in lengthy discussions about interest rates, the currency, and possible tariff cuts.

Mr John Howard, the Treasurer, has been warning of the inflationary consequences of high investment growth, but believes that recent federal action to restrict borrowing by the states "will go some way towards easing future pressure on interest rates."

Mr Howard also indicated, in a speech to the Victorian Farmers and Graziers Associa*tion, that reduced industrial* protection *through high tariffs* was inevitable. The Australian dollar has been revalued up nearly 9 per cent in the past 12 months, and has cost the rural sector some A$400m in export earnings.

Sri Lanka pledged aid of $900m in Tokyo talks

BY RICHARD HANSON IN TOKYO

SRI LANKA received aid commitments of about $900m this year at a meeting of its aid donors in Tokyo this week. This is a healthy increase of 14 per cent over last year achieved in spite of tighter aid budgets in several contributing countries.

Mr Ronnie De Mel, Sri Lankan Minister of Finance and Planning, said the size of the increase indicated the "world's confidence" in Sri Lanka's 1981-1985 development programme.

The country depends on concessional aid for about 60 per cent of its investment budget.

Japan, the second largest contributor after the U.S., raised its aid commitment by 22.8 per cent to around $90m, the biggest jump among the 14 countries which form Sri Lanka's aid group. The group meets annually under the auspices of the World Bank and the International Monetary Fund (IMF).

The U.S. pledged about $100m, *a small increase from* last year, but the U.S. has tripled its aid in the past three years.

AMERICAN NEWS

Regan expects smaller budget deficit

BY DAVID BUCHAN IN WASHINGTON

THE U.S. budget deficit for the current *1980-81* fiscal year will turn out "several billion dollars' smaller than the original $55bn forecast, Mr. Donald Regan, the Treasury Secretary, said yesterday.

This unusual occurence, Mr Regan said, was less the result of 1980-81 public spending cuts made by Congress *than the effect of* the Reagan Administration's delaying the start of its income tax reduction plan until October 1, the beginning *of the new 1981-82 fiscal year*. Thus, the federal exchequer will lose less tax revenue that it calculated earlier.

Until the Administration last month postponed the implementation date of its income taxe cut proposal, which would reduce rates by 25 per cent over three years, estimates for the current 1980-81 deficit ran as high as $60bn or over.

The political need for President Reagan to win the support *of* conservative *Democrats, who* like the general drift of his economic policy but were agitated by the size of budget deficits, dictated the change

The Treasury chief gave some *idea of what the mid*-year economic forecast which the Administration will make public this month, will contain. The updated forecast predicts "a third quarter (of 1981) that may be negative, and then I think we are going to have a turnaround in the fourth quarter."

In the January to March period the economy *surged* at an annual pace of 8.6 per cent and then levelled off to show no growth during the April—June quarter, according to the *Commerce* Department

One consequence may be a slack summer for the economy, and Mr Regan said he expected that the June unemployment figure—due out today—will edge upwards *by* "tenths of a per cent" from the May level of 7.6 per cent.

Mr Regan: turnaround in fourth quarter

Talks soon on Indian nuclear pact

By K. K. Sharma in New Delhi

TALKS ARE to begin on July 13 on the abrogation of the 18-year-old treaty between the U.S. and India on enriched uranium supplies for the nuclear power station at Trombay, near Bombay in Maharashtra state.

The question of nuclear fuel supplies for the plant has been a source of friction between the U.S. and India, and in talks in *Washington* earlier this year. Indian officials were told that the U.S. would find it difficult to continue supplies because India has refused to sign the nuclear nonproliferation treaty. It was suggested that the pact under *which the supplies are made* should be abrogated.

India argues that the U.S. cannot unilaterally cancel the treaty under which it has contracted to supply fuel to Tarapur until 1990. The Indian Government points out that if the treaty is abrogated it will be free of its obligations under it.

This would mean that India *could secure nuclear supplies* from other sources. More important, India would claim rights to reprocess the spent fuel now *being* stored at Trombay on behalf of the U.S.

This will be the main subject at the forthcoming talks. Reports from Washington last week said that Mr James Buckley, Under-Secretary for Security Assistance, had told a Senate *sub-committee* that India would be violating the agreement if it reprocessed the spent fuel.

O'Neill's defeated Democrats will fight on

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

THE *DEFEATED* Democrats in the U.S. Congress are refusing to lie down, despite the spectacular crushing they suffered under President Reagan's "velvet steamroller" in the *House of Representatives* last week.

The President, fortified by the triumphant adoption of his budget-cutting Bill on Friday is now pressing ahead with tactical plans for the next major battle in his economic offensive, for which the ground will be his tax-cut proposals.

The House Democrats, led by Mr. Tip O'Neill, the Speaker, are not only predicting that they will turn the tables on the President in the tax cuts battle. They are still determined to fight a rearguard action over the budget.

In a newspaper interview, Mr O'Neill *said he had already* thought of two procedural devices to keep the debate over spending cuts alive. The first would be to hold committee hearings "after the fact" an unusual way *of alerting* the public to some of the little-noticed cuts buried in the mass of the hastily assembled Republican package.

Mr "Tip" O'Neill

He believes that public anger will mount when the full extent of the cuts pushed through the House on items like social security and meals-on-wheels become more widely known.

Mr O'Neill also plans to use a special procedure involving points of order to try to overrule key parts of the package and, if necessary, to force more votes in the House, when House and Senate representative meet in conference to decide on the exact terms of the Bill later this month.

Although there can be no guarantee *that these tactics will* work. Mr O'Neill is confident that the Reagan tax cuts (25 per cent over three years) can be defeated. *The Democrats have* proposed 15 per cent over two years.

Mr O'Neill's optimism rests on the belief that rebel southern conservative Democrats can be lured back to the Democratic mainstream for voting on the tax cuts. "But," he acknowledges, "I also know the awesome power of the President."

While Congress has spent most of its time *recently* slashing federal money for things like food stamps and school lunches, Congressman Jamie Whitten, a Democrat from Mississippi, has quietly tabled *an amendment in committee* that would provide Senators and Representatives with a personal income tax windfall. He wants members to be able to deduct their living expenses in Washington from federal income tax

The amendment is due to come *before* the *House* appropriations committee later this month. So far, however, there has been *remarkable reluctance* in Congress to publicise its details.

Argentina forecast of trade surpluses

BY HUGH O'SHAUGHNESSY IN BUENOS AIRES

ARGENTINA'S balance of trade will swing into large surplus from now until at least the end of 1982 as a result of the massive devaluations of the peso, and there will be no general refinancing of the foreign debt.

This was claimed yesterday by Dr Lorenzo Sigaut, the Economy Minister, as the exchange markets showed signs of settling down after large *runs on the peso in recent days.*

After touching 8,500 to the dollar in the free market on Tuesday, the selling rate of the peso was generally quoted at around 7,500 yesterday afternoon.

In an effort to calm the frantic speculation the Government has asked the media not to mention quotations of the peso *during the day's trading* and only to mention the rate at the close.

Dr Sigaut estimated that the big fillip to exports given by the collapse of the peso on the *international markets—it has* lost nearly 75 per cent of its real value since the beginning of the year—was already assuring a balance of trade surplus of around $2.5bn in the second half of this year.

The Minister commented: "A conservative prediction puts next year's balance of trade surplus at between $4bn-$5bn. *A large export of fish in 1981,* prospects of cereal harvests well in excess of this year's record crops and a big turnround on the tourist account bode well for this year and next."

Dr Sigaut repeated that the Government aimed to carry forward some short-term debt and did not intend to seek a global *refinancing of Argentina's liabilities this year.* He added that he foresaw no new devaluation.

The Minister promised assistance to firms which found themselves in difficulties because of the deep recession as long as this did not affect monetary targets. He added, however, that a recent call by the Argentine industrialists' union for a massive rediscounting of half *industry's debts over a 10-year* period, with a seven-year grace period, was a monetary absurdity.

Tax-cutting law hits citizens of Boston

By Our New York Correspondent

THE State of Massachusetts was plunged into fiscal turmoil yesterday, as a new tax-cutting law took effect with the state legislature still biterly divided over how to cut spending to match it.

The crisis is most acute in Boston ,the state capital, where services have had to be slashed and schools colsed to reduce the budget.

The crisis stems from last November's passage by Massachusetts votores of the so-called Proposition 2½. This obliges cities, as from yesterday, to cut bac kthe rate of property tax by 15 per cent a year until it reaches 2½ per cent of market value.

For most of the state's cities, property tax is the major, if not only, source of reveneu. Thus, the proposition promises to blow big holes in municipal budgets. In Boston, it is expected to cut city revenues by nearly half by the time it takes full effect.

Mr Edward King, the state Governor, responded to the crisis by proposing aid to the cash-starved cities. But the funds for this would have to be diverted from other state services, and the legislature has been unables to agree on where to make the cuts.

Bills which would eliminate 2,000-4,000 state jobes and wind up a large number of agencies, have been debated. But special interest groups have been making vigorous counter-attacks, and yesterday, signs of agreement had stil lnot emerged.

Last night, the legislature was hoping to agree on a makeshift Bill that would provide hand-to-mouth financing for distressed cities until a new budget is worked out.

In Boston, fire stations have been closed with signs on the door reading: "Shut Because of Proposition 2½." The city's schools managed to make it to the end of the school year, which came last wek, but more than 24 of them will not re-open.

Massachusetts, long nick*named "Taxachusetts" because* of its high level of taxation, is playing out at a local level the budget-cutting drama being orchestrated by President Ronald Reagan federally in *Washington. The pressures may* be more acute, but it shows how wonderfully budget-cutting can concentrate the mind.

WORLD TRADE NEWS

French company to build £90m mill

By David White in Paris

CREUSOT-LOIRE, the loss-making French engineering group, has won an order worth more than FFr 1bn (£90m) to build a pulp and paper mill near Cali in Colombia.

The plant, to be built in the next three years, will produce paper from sugar-cane "bagasse"—the waste matter left after sugar extraction.

It will have a final production capacity of 260 tonnes a day.

The deal, signed by the French group's plant engineering subsidiary, Creusot-Loire Enterprises, came after lengthy negotiations.

The French unit is a shareholder in the £46m capital of the Colombian company, Papelcol, alongside local interests.

A financial package for the project has been worked out by a group of banks under the management of Banque de l'Union Européenne, the bank of the Empain-Schneider group to which Creusot-Loire belongs. It includes a buyer's credit of about FFr 1bn and a financial credit of £23m.

The other principal banks involved are Banque Nationale de Paris, Banque de Paris et des Pays-Bas (Paribas), Banque de l'Indochine et de Suez (Indosuez) and the French Government's Banque Française du Commerce Exterieur.

Kier wins Kenya road contract

KIER INTERNATIONAL of the UK, has won a £15.2m contract to build a bitumen-surface road in the eastern province of Kenya. The 50-mile road will wind round Mount Kenya.

Britain has made a £13.6m grant towards the cost of the scheme. Kier UK is a member of the French Kier Group.

The contract involves upgrading and realigning the existing dirt road section of the route, which runs between the towns of Embu and Meru. The road is to be completed in 1984 and will help the marketing of perishable products grown in the region. Sir Alexander Gibb and Partners (Africa) will supervise the project.

Australia may end EEC concord

BY PAUL CHEESERIGHT IN CANBERRA

AUSTRALIA IS considering the withdrawal of all the tariff concessions it has made to the countries of the EEC over the last 34 years.

The Department of Trade and Natural Resources will shortly undertake a detailed review of the concessions on a product-by-product basis.

Such a unilateral move would be a sharp jolt to an international trading system already strained by the recession. It would be widely interpreted as a decisive move towards protectionism, setting a precedent for other countries to raise tariff barriers.

The move reflects the known frustration of Australia with the trading policies of the EEC, especially in agricultural products. It underlines Canberra's growing dissatisfaction with the General Agreement on Tariffs and Trade (GATT) as an international instrument to discipline the world trading system.

Starting in 1947, Australia granted tariff concessions to Belgium, the Netherlands, Luxembourg and France, and later to West Germany, Italy and Denmark. These were for industrial products.

In return, Australia received from these countries tariff concessions for its agricultural products. The formation of the EEC, it is argued in Canberra, impaired the value of these concessions, and the development of the Common Agricultural Policy nullified them.

The implications of withdrawing tariff concessions from the EEC have not been fully assessed by Australian officials. The matter may be put before the Cabinet at an early stage.

Notification of the tariff review will be sent both to the EEC and to Mr. Arthur Dunkel, director general of GATT in Geneva.

Australia claims that it has been frozen out of the EEC market for agricultural products, while the Community retains tariff concessions for the sale of industrial goods in Australia.

Official Australian statistics show that in 1959 56 per cent of its beef and veal exports went to EEC countries. By 1979 the figure had dropped to 2.2 per cent. The comparative figures for mutton and lamb are 61 per cent and 5 per cent, and for dairy products 73 per cent and 0.8 per cent. Nearly half Australia's wheat and sugar went to EEC countries in 1959, but now there are no sales.

Aggravation in Canberra with the Community has been increased by the growing competition in the world markets of EEC surplus food products sold at subsidised prices and fears that the EEC may enter long-term food supply contracts.

Third World plans export credit system

BY BRIJ KHINDARIA IN GENEVA

DEVELOPING countries are planning to create a new multi-million dollar body to underwrite their exports of machinery and other manufactured goods at a time when industrialised nations are moving towards an urgent review of export credit policies on the grounds that they distort trade.

But disputes between the U.S. and European countries, especially France, have impressed upon developing countries that export subsidisation through ever-cheaper credits can be detrimental to export growth.

Follow-up developments to last month's decision by the Organisation of Economic Co-operation and Development (OECD) council to urgently study how the OECD's arrangement on export credits can be streamlined is being closely watched in Geneva. The arrangement, which recommends that interest rates on export credits be in line with commercial market rates, has broken down because several OECD members heavily subsidise such loans, thereby causing an unfair trade advantage.

Some developing countries would not be displeased by a credit war among OECD nations because their import costs would be reduced. But they do fear that their exports may become less competitive because of their inability to match rich country credit subsidies. They also fear that some Western countries might tighten protectionist barriers against manufactured goods imports from both wealthy and poorer nations.

While they are lukewarm towards subsidisation of export credits, most developing countries are convinced that their exports of manufactured goods can be boosted only by some form of governmental or international guarantees to underwrite exports sold on credit terms exceeding one year.

This is because the credit is given not only by the exporter but also by his country which must allow departure of goods without any corresponding immediate receipt of vital foreign exchange income.

Promissory notes received from Third World buyers of exports on such longer credit terms cannot be easily discounted with banks because of the shaky reputations of both sellers and buyers. It is felt that guarantees would allow banks to buy the notes, thus immediately placing funds in the hands of both the exporter and his country.

Most developing countries are enthusiastic about creation of a new Export Credit Guarantee Facility (ECGF) recommended by the UN Conference on Trade and Development (Unctad). The plans are at a preliminary stage, and industrialised countries remain to be convinced about both the facility's need and feasibility. A group of experts will meet in Geneva later this summer for a first look at Unctad's suggestions.

The facility would be somewhat along the lines of Britain's export credit guarantee system which guarantees loans taken from banks by British exporters instead of giving them cheap loans directly. In contrast, the U.S. helps exporters through its Export-Import Bank which itself provides credits.

Because of its international stature, the proposed facility's guarantees would have a high standing and banks might agree to discount promissory notes at the best rates.

Another difference from the British system would be that default by an importer would be made good by the exporter's government rather than by the facility. Thus the facility would have no banking role at all. However, it would need a substantial capital base to be credible and to help create a new discount market for Third World money alongside the existing market for notes thrown up by trade among industrialised countries.

The lack of such a market has been a serious handicap for Third World exporters of capital goods—machinery, locomotives, and heavy vehicles and turnkey projects—to other developing countries.

Working documents prepared by UNCTAD estimate that about $8bn worth of capital goods exported on credit terms of more than one year by developing countries would be eligible for guarantees from the suggested facility between 1980-85—they feel that a facility which caters for about half that worth would be sufficient as a first step.

To underwrite $4bn in its first year, the facility would need a capital base of $800m, of which one-fifth, or about $160m, would have to be paid in directly by governments. The rest could be in pledges or capital on call.

Canada boosts financing

OTTAWA — The Canadian Government has introduced three new export financing facilities, designed especially to assist small and medium-sized businesses, Reuter reports.

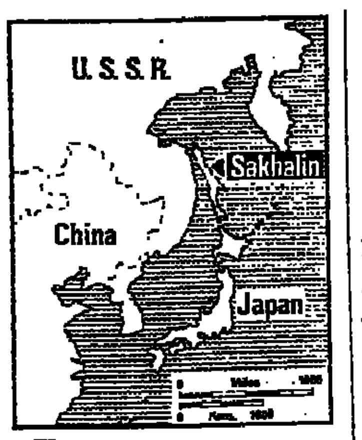
A medium-term fixed rate financing facility, political risk insurance and insurance for institutions providing short-term finance for Canadian exporters were announced this week by the Department of Trade.

The new services, which take effect immediately, will be provided by the Export Development Corporation, a federal agency.

Under the financing facility, the EDC will buy promisory notes issued to exporters by foreign buyers, providing the exporters with immediate cash, although the service will be provided on a commercial basis.

Political risk insurance will be provided to exporters who cannot obtain credit information in respect of the buyer.

The third service will provide direct insurance to banks which finance exporters' EDC-insured foreign receivables, and losses incurred by banks, for commercial or political reasons, will be reimbursed for up to 90 per cent of the total.



Japan oil deal with Soviets

By Charles Smith, Far East Correspondent

JAPAN WILL start receiving regular supplies of liquefied natural gas and oil from offshore fields near the Soviet island of Sakhalin from 1988 under an agreement reached this week.

Supplies will start at a level of about 1.5m tons a year rising to 3m tons a year under a 20-year agreement.

Oil and gas exploration has been carried out in the Sakhalin offshore areas under a Soviet-Japanese joint venture arrangement. The decision to start commercial production from the fields was reached this week at talks in Tokyo between the Sakhalin Oil Development Company (the Japanese partner in the project) and a Soviet delegation.

The agreement provides for test boring in the offshore area to be completed by the end of 1981 and for a detailed production plan to be drawn up before the end of next year. An LNG plant, which may be located on the Siberian mainland, will be completed by 1987.

The development of oil and gas reserves in Sakhalin, north of Japan, which his expected to cost the equivalent of about Y700bn. Japan will provide financing in the form of loans from the Export Import Bank and other sources.

LNG is expected to meet 6.4 per cent of Japan's energy needs by 1985 under a Ministry of International Trade and Industry energy diversification plan, and 7.7 per cent by 1990. By this time imports are targeted to reach 44m tons a year.

Imports at the moment come from Indonesia, Brunei and Abu Dhabi, with Australia and Malaysia due to come on stream as important suppliers.

Lufthansa and KLM in battle over routes

BY CHARLES BATCHELOR IN AMSTERDAM

LUFTHANSA, the West German airline, and KLM of the Netherlands have fallen out over the Dutch airline's decision to start a twice-daily service between Amsterdam and Stuttgart.

Lufthansa has terminated the 14-year-old pool agreement between the two companies and announced it will remove details of KLM flights from its reservation system.

The row reflects growing economic pressures on airlines and KLM's active policy of expanding its regional route network.

Lufthansa claims that KLM has taken too large a share of traffic between Germany and the Netherlands. KLM's decision to start a summer service to and from Stuttgart proved the last straw for Lufthansa.

KLM says it offered to share the service equally with Lufthansa, but the offer was turned down on the grounds that it would be uneconomic. KLM says the load factor on the route is already considerably higher than the 25 per cent forecast by Lufthansa after only three months.

Lufthansa also says that KLM is attempting to attract passengers to the Dutch airline's international flights from Amsterdam. KLM says its Stuttgart services are clearly intended to offer the businessman a morning-out and evening-return service and are not timed to link up with other international flights.

KLM maintains it has no plans to stop the Stuttgart service nor does it intend to remove Lufthansa's flights from its reservation system. "We continue to hope that the problems can be solved," the company said.

Passengers who discover that Lufthansa has not informed them of a more convenient KLM flight on pool routes will not look kindly on the German airline, KLM believes.

KLM has been rapidly expanding the European regional flights operated both under its own label and that of its fully-owned subsidiary NLM. It now offers flights to Bremen and Dusseldorf in Germany, as well as the three main destinations of Hamburg, Frankfurt and Munich. Lufthansa has declined to join in any of these regional routes.

KLM is annoyed at the way Lufthansa made known its decision to suspend the pool agreement. A statement was made to Dutch journalists by Lufthansa's new Benlux Press officer before KLM was informed officially, it said. The suspension took effect on June 26.

Malaysian airlines sign joint Jumbos agreement

BY WONG SULONG IN KUALA LUMPUR

Malaysian Airlines System (MAS) has signed a deal with British Airways for the purchase of two Boeing 747-236 Jumbo jets at a cost of $180m.

The two aircraft, to be fitted with Rolls-Royce RB-211 engines, will be delivered within the next 12 months.

British Airways had bought the aircraft from Boeing of Seattle, but found it would not need them in the immediate future because of the slow traffic growth on its long-haul routes.

The deal is attractive to MAS as it will cut down delivery time of the jets considerably.

The aircraft are currently at Boeing in Seattle undergoing modifications, including reducing the number of seats from 430 to 402.

MAS intends to put the Jumbos on the London-Kuala Lumpur-Sydney route.

Michael Donne, Aerospace Correspondent, writes: The aircraft have already been substantially paid for by British Airways, which is why the deal is with that airline and not directly with Boeing.

MAS will be paying British Airways for the cash it has spent so far on the two Jumbos, and will take delivery directly from Seattle.

The engine deal with Rolls-Royce is separate, and will bring at least £30m to the engine company

MAS is the sixth airline to order Rolls-Royce powered 747s, after British Airways, Cathay Pacific, Saudia of Saudi Arabia, Qantas of Australia and Air New Zealand.

Secretaries 'paid more than some directors'

WAGES OF Britain's executive directors rose by an average of 13.6 per cent in the year ended March 1981, according to a survey published yesterday.

The rise—in line with increases awarded to industrial workers—brought the average salary of executive directors to £32,246, said Korn Ferry International, the world's largest firm of directors.

At the same time, non-executive directors received an increase of only 8.6 per cent, said the survey, bringing their pay to £4,802.

Non-executive directors are now paid less than most secretaries, while their opposite numbers in the U.S. receive about £15,000 a year, says Korn Ferry.

Brixton inquiry 'rehearsal for trials'

LORD SCARMAN was told yesterday that defendants charged after the Brixton riots could not be guaranteed a fair trial because police had "rehearsed" their evidence at the inquiry.

The claim was made by Mr Rudy Narayan, for the Brixton Legal Defence Group. Earlier, two white men and one white woman were removed from the inquiry after a disturbance.

Cut-price tickets to fly

BRITISH AIRWAYS is introducing a last-minute £48 one-way fare to Malta this week, saving £95 on the present cheapest fare.

Passengers can travel from Heathrow or Manchester but tickets cannot be bought until the day before their flight.

St Piran court decision delayed

JUDGMENT WAS reserved in the High Court yesterday on the application by St Piran, the tin mining and property development group, to have struck out a petition by Runic Nominees seeking to have it compulsorily wound up.

General Accident pegs rates

THE General Accident Group is to hold it motor insurance rates for at least the next few months, bypassing the usual August 1 review.

Fitch Lovell to close factory

THE CANNED fruit and vegetables factory of Fitch Lovel at King's Lynn, Norfolk, is to close, with the loss of about 350 jobs following unsuccessful efforts to sell it as a going concern. The company blamed the current state of the canning industry and the future prospects.

Lift-off for North Sea helicopters

BRITISH AIRWAYS Helicopters yesterday introduced the first of six 44-seat Boeing 234 long-range helicopters to go into service between the mainland of Scotland and North Sea oil rigs.

Paintings left on the shelf

SOTHEBY'S major sale of Impressionist and modern pictures raised a total of £1,361,850 in London on Tuesday night, writes Anthony Thorncroft. But demand was selective and 40 per cent was bought in from a total of £8,765,000.

Hull telephone service leads way in computerisation

BY GUY DE JONQUIERES

KINGSTON UPON HULL telephone department, which operates the UK's only independent public telephone network, is stepping into the electronic information age ahead of British Telecom.

This year the department's directory-inquiry operators will discard printed lists of 125,000 local subscribers and change to a computerised system. This locates a number and flashes it on a display screen in under two seconds.

The system was ordered from ICL for £500,000. It uses a device called a content addressable file store (CAFS). ICL developed this device to speed up retrieval of information in a computer memory.

The department, part of Hull City Council, plans to extend the system to handle customer-billing, accounts and other services.

British Telecom conducted a year-long trial of CAFS at two of its directory-inquiry centres. It decided, however, for technical and financial reasons, not to install the system at present.

As a temporary expedient it is replacing its operators' printed directories with microfilm records. The West German post office, the Bundespost, has also evaluated the CAFS system.

Computerisation is not Hull's only advance this year. The department says the cover of its current subscriber directory is the first in Britain to have a full-colour photograph — of the newly-opened Humber Bridge.

The department is pioneering the use of recorded easy-listening music, to soothe anxious callers waiting for telephone extensions to become free at its head office.

The department, serving subscribers in a 120-square mile area north of the Humber, received its first operating licence in 1902. It set up its first exchange two years later.

In 1910 the Post Office began forcing other private telephone companies out of business by refusing to renew their licences. Hull City Council resisted however and struck a deal with the Post Office which has allowed it to retain its jealously-guarded independence.

Poster group monopoly attacked

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

MAJOR REFORMS in the way poster sites are sold to advertisers in the UK were recommended yesterday by the Monopolies and Mergers Commission.

The commission recommended that the British Posters consortium of 10 leading poster contractors should be disbanded and not reformed. It concluded that the consortium's monopoly position operated against the public interest, by leading to higher prices and reduced competition.

The decision means that the pre-selected packages of poster sites sold through British Posters—accounting for some 36 per cent of all poster panels—will be phased out and the poster sites sold individually to advertisers.

The commission's recommendations are contained in its report, published yesterday, on roadside advertising services. This followed a two-and-a-half year investigation into the industry.

Mrs Sally Oppenheim, Minister for Consumer Affairs, yesterday accepted the report's findings and has asked Mr Gordon Borrie, Director General of Fair Trading, to seek voluntary acceptance of the recommendations. The Government has the statutory power to enforce the findings if necessary.

British Posters was set up in 1971 to act as a marketing operation for a number of poster contractors including Mills and Allen, the London and Provincial group, and More O'Ferrall.

The consortium sells pre-selected packages of posters to advertisers wanting a national or regional poster campaign. The individual contractors are unable to provide the same coverage for advertisers by themselves.

Although the 10 members of the consortium supply the sites for British Posters, they also sell poster sites individually.

This means that British Posters and its 10 members collectively are responsible for about three-quarters of the total poster sites in the UK.

The commission believed that this not only led to higher prices but also a more consistent approach to pricing strategy than in a normal, competitive market. This helped to give the poster companies a high level of profitability.

The commission also concluded that the two main trade associations in the industry—the British Poster Advertising Association and the Solus Outdoor Advertising Association—were operating against the public interest, "in substantially restricting competition between contractors in the acquisition of sites."

British Posters said last night that it was considering the report.

Roadside advertising services: Monopolies and Mergers Commission: HC 365; SO £5.70.

Association mooted for all Lloyd's members

By John Moore

OVER 100 of the 20,000 members of Lloyd's of London, the insurance market supported by a private membership, are trying to form a new association open to all members.

The move is seen as an attempt to crush a recently-formed association under the chairmanship of Lady Janet Middleton and will cause a row within the Lloyd's market.

The Association of External Members of Lloyd's, led by Lady Middleton was formed earlier this year and sought to represent the interests of the 16,000 members who do not work at Lloyd's but commit their wealth to allow the market to function.

Major policy battles took place within the association and an attempt was made to unseat Lady Middleton as chairman.

Her association provoked violent hostility from underwriting agents at Lloyd's, who look after the affairs of all members within the market.

The agents felt that the emergence of Lady Middleton's association, which has about 350 members, would usurp their function at Lloyd's.

The reaction of working members of Lloyd's to Lady Middleton's association was so hostile that one meeting was infiltrated by members of Lloyd's who were not members of the association in an attempt to disrupt the association's bustiness.

The new association, the Association of Members of Lloyd's, will not be formed until at least 500 people have pledged their support to it. It is open to working and non-working members of Lloyd's.

The subscription required from members will be £15 per annum compared with an annual subscription of £50 to Lady Middleton's association.

In a letter to members, ten representatives of the 100 of the new association say that Lady Middleton sponsored a petition which led to major changes being called for in Lloyd's Bill of Parliament for improving self regulation "against our wishes."

Members who initially supported Lady Middleton but are now seeking to create the new association say in the letter: "We made every effort open to us to divert her from this course but were unable to make our views prevail.

"We, and a substantial number of people who support us, believe that her association is unrepresentative and will only have a brief existence."

Lady Middleton said yesterday that her committee would write to members of her association urging them to remain loyal and members of the association.

About 70 members who had resigned had already been contacted, she said and in some cases had withdrawn their resignations.

Greycoat loses battle over Coin St inquiry

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

GREYCOAT Commercial Estates has lost its High Court battle for the immediate resumption of the public inquiry into its controversial plans for redevelopment of the Coin Street site near Waterloo.

Mr Justice Ralph Gibson yesterday rejected the company's claim that the planning inspector had adjourned the inquiry from June 4 to September 8 on grounds that were unreasonable, irrelevant, perverse and bad in law.

Greycoat immediately went to the Court of Appeal, which agreed to hear the company's appeal against the decision as soon as possible. The appeal will probably be heard on Tuesday.

The judge said the inquiry had been adjourned because the Labour-controlled Greater London Council wanted to consult the Association of Waterloo Groups, whose alternative plans for the site the GLC supported.

The council also wanted time to review its central London office policy and planning principles for the South Bank.

Greycoat argued that the adjournment had been granted because the inspector feared what "ignorant and unreasonable" people might say if he refused an adjournment.

The 12½ acre site was of local and national importance, said the judge. Greycoat's proposals for it, which included 1.8m sq ft of office space and 400,000 sq ft of housing, were opposed by more than 270 local groups and individuals, who wanted the site redeveloped for housing and industrial use.

Greycoat had been indignant about earlier delays in the start of the inquiry, which had arisen from the workings of the planning system and the intense local concern and interest in the future of the site.

It was also unfortunate for Greycoat that the change in the control of the GLC had given rise to a genuine need for the cases the council and AWG wished to put to the inquiry to be reconsidered and co-ordinated, the previous GLC administration having supported Greycoat's proposals.

In the cirucumstances the inspector's decision that the GLC's application had just sufficient merit to justify an adjournment was reasonable and not bad in law.

He had plainly given full weight to Greycoat's opposition but balanced against it his duty to ensure that anyone wishing to be heard at the inquiry had time to prepare a case.

The AWG and other local objectors could reasonably have complained if they had not been given a proper opportunity to consult with the GLC in the light of the council's new policies.

The judge said that, in addition to giving time for such consultation, the inspector had extended the adjournment for seven weeks to cover the holiday period. The length of that extension went to the very brink of his discretion to allow for holidays, but his decision could not be said to be perverse, the judge said.

Short-term interest rates 'altered in wrong way'

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

SHORT-TERM interest rates in the UK have been altered in the wrong direction for the achievement of effective monetary control for about half the time in the last 18 months, stockbrokers W. Greenwell argue in a major analysis this morning.

The firm, one of the leading financial commentators in the City, notes the Government's failure to base its interest rate policy on the current behaviour of the money supply.

The brokers discuss in a special monetary bulletin the proposed changes in monetary control. Their conclusion is that, while the new system is in most respects an improvement, market forces are not likely to gain influence to any considerable extent.

"The central element in the new system, the use of an unpublished band within which the authorities will seek to peg very short-term interest artes, is probably an attempt by authorities to reduce outside political interference in interest rate determination while retaining their administrative discretion. The implication is that in the foreseeable future the authorities will continue to administer short-term interest rates."

The bulletin also discusses the recent record and concludes that interest rates have not been geared to current money supply growth. There has been a remarkable drift in about the past year into an interest rate policy rather similar to that of the 1960s.

Bid to discourage more cuts in commuter fares

BY LYNTON McLAIN, TRANSPORT CORRESPONDENT

THE GOVERNMENT acted again yesterday to discourage local authorities increasing financial support for low fares on public transport.

It sent out new financial guidelines from the Transport Department. They are designed to make councils justify plans for financial support.

The Department sent two items to every operator and local authority in England and Wales: a guidance document on accounting for bus operations and a code of practice for bus operators.

The documents follow recent speeches by Mr Norman Fowler, Transport Secretary, attacking plans by some local authorities, including the Greater London Council, to cut public transport fares by increasing financial support.

Two weeks ago he rejected a GLC plan for more support for British Rail to enable it to cut commuter fares.

The code of practice on the publication of information by bus-operators is designed to enable travellers to judge their local operators efficiency.

The code calls on bus-operators to give the total operating costs per vehicle-mile, the vehicle—miles per empolyee, peak vehicle requirements and other statistical perforance-indicators.

The guidelines on accounting for bus operations, aimed at local authorities, give detailed advice on the information to be obtained from poerators who receive financial support, or who claim support.

Heseltine streamlining scheme unveiled

BY ROBIN PAULEY

THE SECOND phase of Mr Michael Heseltine's attempt to cut manpower and rationalise the work of his large Environment Department by using a detailed management information system was published yesterday.

This part of the Management Information System for Ministers (MINIS) is a series of studies which assesses in detail the performance of each section. This is the last to be done on a six-monthly basis and probably the last to deal solely with manpower. The next will be published in April and will run for the full financial year to tie in with the annual budgeting system.

By aligning the exercise to the public expenditure survey committee (PESC) negotiations MINIS will change from a purely management information system to a full management accounting system.

Mr Heseltine believes this will improve the decision-making processes and overall management of the department. Instead of having to choose from a set range of PESC options the analysis of the detail of expenditure will be useful to check whether all options have been presented and to identify possible alternatives or the most efficient way of securing any given option.

If this works, it will be a large step forward in management accounting in government. It will be helped by the switch to cash planning bases for PESC instead of the traditional volume base which has made it difficult to identify what is really happening in terms of detailed expenditure and has made ministers heavily and unhappily reliant on statisticians as interpreters.

Not surprisingly, the concept of using a management system like MINIS has been unpopular with civil servants who see it as a threat to their jobs and their small internal empires. It has not been enthusiastically welcomed, and certainly not copied, by other Government Ministers who see it as counter-productive to the protection of their domains.

However, if it begins to work effectively as a management accountancy tool within the PESC debate, it could provide Mr Heseltine with a detailed weapon which some of his colleagues could come to envy and without which they might feel disadvantaged.

The Environment Department had become, in Mr Heseltine's own words when he launched MINIS-1, "like Topsy with nobody knowing who did what or why nor who was responsible for what or to whom."

With MINIS, the job cuts can be planned from top to bottom. The number of directorates will be down from 48 to 37 by next April, a reduction of nearly 25 per cent, with correspondenting reductions in under-secretaries. The number of assistant secretaries will be down from 172 to 139.

Use of MINIS-1 and MINIS-2 in manpower management has been instrumental in cutting Environment Department staffing levels (including the Property Services Agency) from 52,453 in April 1979 to 48,280 in 1980, 43,660 in 1981 and a target of 40,600 next year. The 1981 and 1982 figures need to have 765 added back because that number of jobs was transferred to Transport rather than eliminated.

Department of the Environment Management Information System for Ministers, ISSN No 0260-4787, obtainable from Mrs D. Phillips, Environment Department Library, Room C3/03, 2, Marsham Street, London, SW1. Total cost including PSA: paper £141.50, microfiche £40.60

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Oil-refining capacity 'may be abandoned'

BY SUE CAMERON

UP TO a third of Western Europe's oil-refining capacity my never be used again, Mr William Barrack, chairman of U.S.-based Texaco, said yesterday.

Mr Barrack, speaking at a London seminar, said the European refining dilemma could get even worse as the refining capacity of members of the Organisation of Petroleum Exporting Countries increased.

He said many oil companies were forced to close refineries in Europe or to drastically curtail refining operations because of record losses made since mid-1980.

European refiners had been losing perhaps as much as $2.50 a barrel overall although the UK had come out better than manyo thers, with losses averaging about $1 a barrel.

He said crude oil prices were falling. This was expected to lead to an improvement in refiners' margins. However, he said as various OPEC nations inceareds thei refining capacity they would be able to export finished products to European markets with a considerable cost-advantage over locally-refined products.

Mr. Barrack said oil-consumption in Europe had levelled off at about 14.5m barrels a day. Some experts even predicted this figure would decline in the next decade. However, Western Europe's basic refining capacity, even at 13.5m b/d still exceeded consumption by a massive 7m barrels a day.

Mr. Barrack said the importance of the oil glut might have been exaggerated. There was currently a glut of abo[ut] 5bn barrels, enough to meet cu[r]rent demand for the next [...] days. The oil industry a[nd] governments however belie[ve] it prudent to have about [...] days' oil stocks.

"What is being referred to [as] a glut is actually only about [...] days, or 715m barrels, of abo[ve] ground petroleum that could [be] regarded as surplus," he said

Mr. David Howell, Ener[gy] Secretary, told the seminar h[e] believed the true over-supply [at] present was quite modest.

Mr Howell, speaking abo[ut] North Sea depletion said th[e] Governmet wonuld look at th[e] possibility of cutting producti[on] on some fields this autumn.

He stressed however that th[e] autumn review of producti[on] would involve full discussio[n] with companies operating in th[e] North Sea.

Maurice Samuelson writes: A nine-year-old U.S.-own[ed] chemicals plant at Teeside wi[ll] be closed next month with the loss of 240 jobs. A second plan[t] on Tyneside, owned by the sa[me] company, Philadelphia-bas[ed] Rohm and Haas, will be partiall[y] closed with the loss of mor[e] than 40 jobs.

The company said yesterda[y] the Teeside plant, which make[s] monomers for the plastics an[d] coatings industries, had bee[n] efficient. However, it could no[t] match the economies of scale of the group's main plant at Houston, Texas, from where it would continue to supply the European market with polymers and monomers.

Martin Dickson and **Andrew Fisher** examine implications of the Hutton development

Platform order will boost offshore industry

THE AWARD yesterday to two Scottish shipyards of orders totalling £150m for the development of the North Sea's Hutton oil field is a major boost for the UK offshore industry.

Most obviously, the orders from Continental Oil (Conoco) and its Hutton partners will provide valuable work for the Ardersier yard of McDermott Scotland, which will build the deck for the Hutton platform, and the Nigg Bay yard of Highlands Fabricators, which will supply the hull section.

But the orders will also establish UK yards at the forefront of a major leap forward in offshore technology: the Hutton field will see the first commercial application in the world of a new floating production system developed by Conoco.

Mr. Harry Sager, chairman of Conoco UK, said yesterday: "This is a project the whole oil industry will be watching." Mr. Hamish Gray, Minister of State for Energy, said that the contracts can only enhance the prospects for UK technology in world markets.

Most conventional offshore oil production platforms are vast steel or concrete structures fixed firmly to the seabed. However, the rising cost of these edifices and the fact that they cannot be used in very deep water, restricts their use to relatively large fields in about 800 ft to 1,000 ft of sea.

With small offshore fields becoming more economically attractive, and with the hunt for oil spreading into deeper and deeper waters—both in the North Sea and elsewhere—the industry has been developing a new generation of floating production systems.

Conoco's contribution — the first one to be developed commercially—is the tension leg platform (TLP). The structure floats on the waves and is tethered on the field by a series of tensed steel cabels running from seabed templates to the four corners of the platform's hull.

Major advantages claimed for the TLP are that it can operate in water depths of up to 2,000 ft and that it can be moved from field to field as each is drained.

In the case of Hutton, however, neither of these advantages will be put to the test. The TLP will float in just 485 ft of water — well within the range of fixed platforms.

The idea is to use the field as a testing ground. And since Hutton may have a life of 20 years the platform is unlikely to be moved on elsewhere.

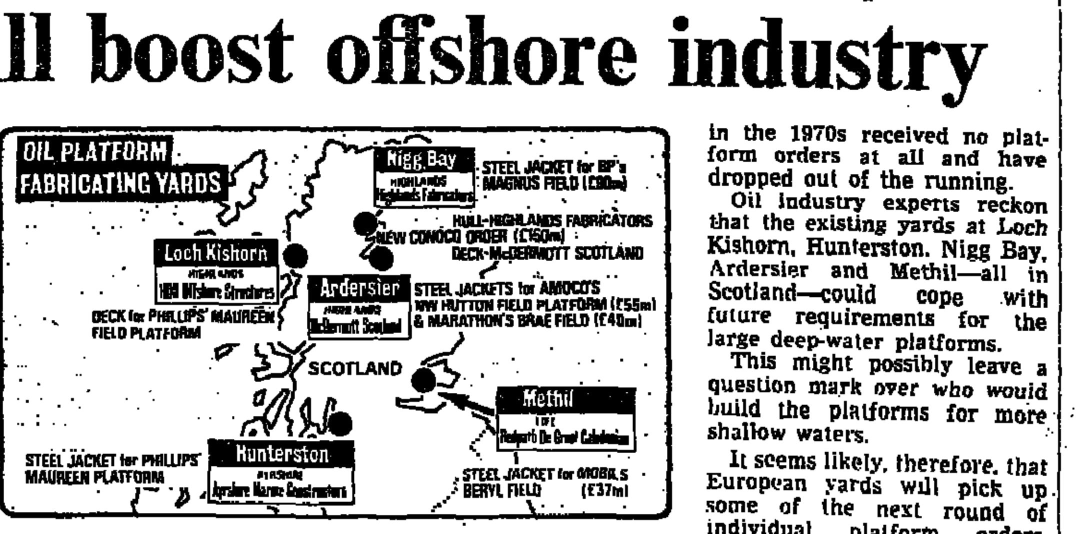
But the first deep-water use of a TLP could well be in the North Sea. Conoco was awarded several blocks in waters of up to 2,000 feet, North of the Shetlands, in the Government's last licencing round. Company officials said yesterday that if oil was found here the blocks would be prospective TLP sites.

Conoco admits that the estimated cost of developing Hutton has gone up "significantly" compared with the £600m it was forecasting two years ago. One reason is that it has to build a bigger, heavier structure than originally intended. But it says the cost will still be comparable to that for a conventional steel platform.

In calling for tenders for the deck and hull contracts, the company said it had considered yards in Britain and in continental Europe. It finally received three bids for the deck, all from British yards. It invited bids for the hull from three European and two British yards but in the event only the UK companies responded.

With Conoco's order and the other major projects on which the fabrication yards are working, capacity is going to be at fairly full stretch for the next few years.

The number of British yards engaged in this type of major contract, or hoping to engage in it, has come down in the past few years to about five. A few of those which had high hopes in the 1970s received no platform orders at all and have dropped out of the running.



Oil industry experts reckon that the existing yards at Loch Kishorn, Hunterston, Nigg Bay, Ardersier and Methil—all in Scotland—could cope with future requirements for the large deep-water platforms.

This might possibly leave a question mark over who would build the platforms for more shallow waters.

It seems likely, therefore, that European yards will pick up some of the next round of individual platform orders. Dutch and West German yards would come into this contest.

Conoco, of course, still has to order the tension cable for its innvative new Hutton platform, and this order could well also be placed in Britain. The anchors, drilling structure, accommodation module and helicopter deck also have yet to be ordered. Conoco is likely to do this before the end of 1981.

General North Sea drilling activity is expected to have doubled by 1983 from the 1979 level. Altogether 2,400 wells were drilled around the world last year, as well as 800 wildcats, and the indication for 1981 is about 3,500 holes, assuming there are enough rigs, said P. F. Bassoe, Norwegian shipbrokers, in December.

Slim chance of levy on insurance

By Eric Short

THE POLICYHOLDERS' Protection Board does not expect to impose a levy on UK insurance companies during the present financial year, even though it has now taken on the rescue of another insurance company—Underwriters National Assurance. This statement was issued by the board yesterday when it published its report and accounts for the year ended last March 31.

The board's function is to administer the operation of the Policyholders' Protection Act 1975 which guarantees that policyholders will receive at least 90 per cent of the benefits under their insurance contracts should problems arise.

The board has power to finance its rescue operations and meet costs by levies on insurance companies. So far, it has made only one such levy, in 1977, which raised £1.5m.

The report shows that the board is engaged in supervising the operations of three companies—Capital Annuities, Fidelity Life Assurance and now Underwriters National.

Development of Belvoir vital, says Ezra

BY MARTIN DICKSON, ENERGY CORRESPONDENT

DEVELOPMENT of the Belvoir coalfield is essential for the well-being of the mining industry and to secure Britain's future energy supplies, Sir Derek Ezra, the chairman of the National Coal Board, said yesterday.

Sir Derek was responding to reports that Mr Michael Heseltine, the Environment Secretary, is recommending to the Cabinet that the NCB be refused permission to develop the Belvoir find in Northeast Leicestershire—at least for the next few years.

Sir Derek, speaking on BBC radio's "World at One," said he understood the Government had yet to reach a decision. He expected Mr David Howell, the Energy Secretary, to argue the case for Belvoir "very forcefully" in Cabinet.

There were three basic arguments in favour of Belvoir, he said. Firstly, the fuel would be needed. Secondly, it would safeguard employment in the coal industry. Thirdly, the field would cost £1bn to develop and about 90 per cent of the development would be done by UK companies, providing much needed employment.

Sir Derek was asked about Mr Heseltine's reported view that Belvoir could be turned down because there was not a reasonable prospect of an immediate market for its coal.

He said that if Mr Heseltine had been correctly reported it was a "very dangerous thesis." It implied that if the situation changed the NCB could somehow "whistle up the coal." But it could not do that because of the long time needed to develop a coalfield.

Sir Derek said the existing Leicestershire coalfield was one of the NCB's most productive and had excellent miners but it was running down for geological reasons.

"We would want to redeploy these very well trained and able people elsewhere and the Northeast Leicestershire development is an obvious place."

He rejected the idea that the NCB might develop other coalfields in place of Belvoir. "It took us three years to identify the coal in Belvoir. If we had to do that research elsewhere it would mean at least another three years' delay."

It would be a "very sad day indeed" if the Government decision went against the NCB but he would not support industrial action by miners to reverse the outcome.

The National Union of Mineworkers said that Mr Joe Gormley, the union's president, received a letter dater June 29 from Mr Heseltine saying no decision had yet been made.

However the union believed the Environment Secretary would ask his Cabinet colleagues to support his view that the scheme should be turned down.

This would create profound dismay and anger the coal industry, said the union.

Mr Lawrence Daly, the NUM's general secretary, said Mr Heseltine's decision would be discussed by his union's 30-strong executive at a meeting in Jersey on Friday.

Energy consumption shows 5.9% fall

By Martin Dickson, Energy Correspondent

BRITAIN USED 5.9 per cent less energy in the three months from March to May compared with the same period last year, according to Department of Energy statistics.

Total oil use—including that for non-energy purposes—fell to 18.6m tonnes, a drop of 2.4m tonnes or 11.3 per cent on March-May last year. Petrol consumption declined by 2 per cent.

Meanwhile, production of oil from the North Sea rose by 11.6 per cent on the same months last year, reaching 22.3m tonnes. However, production in May dropped to 7.1m tonnes, compared with 7.4m in April and 7.8m in March.

Cumulative oil production for the first five months of the year was 36.5m tonnes, a 9.3 per cent rise on the same period last year.

The figures suggest that the UK is producing about 20 per cent more oil than it needs to be self-sufficient in crude. However, substantial quantities of oil are still imported because crudes heavier than those produced in the North Sea are needed for refining purposes.

VAT hold-ups causing confusion

GOVERNERNENT PLANS to assist companies hit by the hold-up in VAT repayments may be confusing some small businessmen.

In an effort to ease possible cash flow problems of companies affected by the Civil Service dispute, Mrs Thatcher told the House of Commons last month that Inland Revenue collectors could not press for PAYE remittances and National Insurance contributions if they felt there were genuine difficulties about paying.

Confusion however may have arisen because many businessmen do not realise that delayed payments can only be made at the discretion of local tax collectors. Some collectors are not always sympathetic if the outstanding VAT repayment is less than other taxes owed, according to the Confederation of British Industry.

Concession

The Inland Revenue stressed this week that there can be no automatic offset of one tax against others. Companies awaiting VAT repayments and anxious therefore to defer PAYE remittances and national insurance contributions have to make local arrangements.

"Collectors have the discretion to allow people to delay their payments where there are real difficulties," the Revenue said. "They have to be careful, however that they are not being taken for a ride and that businessmen are not crying wolf."

Tim Dickson examines the problems facing some small businesses because of the Civil Service strike

Refunds of VAT running into hundreds of millions of pounds have effectively been halted by the strike at the Customs and Excise computer centre in Southend, which started on March 9. Officials have said it is not possible to make repayments on a selective basis.

The money is normally returned to companies which pay VAT to their suppliers but who do not charge it to their customers.

Although VAT, which is administered by Customs and Excise, is distinct from income tax and national insurance contributions gathered in by the Inland Revenue, tax collectors have been instructed not to take "precipitate action to collect PAYE payments falling due where there is a genuine difficulty about paying."

It is not, in fact, the first time such a gesture has been made. During industrial action at Southend in 1979 an almost identically worded concession was announced in Parliament by Financial Secretary Mr Robert Sheldon.

The CBI says a number of its members are encountering cash flow difficulties because of the delay in recovering VAT.

"The problem is patchy, though a number of self-employed farmers, scrap metal merchants, exporters and construction firms are undoubtedly having problems. The position appears to be satisfactory where companies' VAT repayments outweigh their PAYE remittances and national insurance contributions but when it is the other way round collectors do not seem to be so sympathetic."

Anxious

Northern businessman Mr John Dixon is one of many people anxious to find out how the concession will work in practice. "The Government owes me a total of about £90,000 in VAT repayments due for the months March to May," says Mr Dixon, managing director of J. C. Dixon, Liverpool-based hide and skins exporter. "This relates to VAT which we pay out to our suppliers but which we do not charge our overseas customers.

"Our monthly PAYE payments and national insurance contributions come to about £2,500 but I don't see why we should hand over this money if we do not have to.

"Unfortunately neither my local inspector nor my collector can tell me anything about it. Letters to my MP have also drawn a blank."

One point which Mr Dixon has vainly been trying to clear up is whether interest is charged on PAYE remittances temporarily withheld. According to the Inland Revenue, he and other businessmen can rest assured — interest is never levied on late PAYE payments.

Suppliers

The strike at Southend, meanwhile, is blocking the 10,000 claims for VAT repayments received by the Customs and Excise every day. Most of these come from businesses selling goods zero rated for VAT—in other words, they are technically taxable but the rate paid is nil.

In the financial year 1979/80—the last 12 month period for which figures are available—2.56m claims were made for repayments totalling £4.54bn.

● The Customs and Excise Department points out that traders are still legally obliged to make monthly VAT returns despite the strike at Southend. Although the computer normally sends out forms, they can be obtained from the local assistant collector in charge of VAT or from the local collector of Customs and Excise. "If the worst comes to the worst, companies can use their own notepaper," the department said.

Decision on sale of Bowater mill delayed

By Andrew Fisher

BOWATER HAS given Consolidated Bathurst of Canada 10 more days to decide if it wants to reopen the UK group's newsprint mill at Ellesmere Port in Cheshire.

The initial 60-day option has expired but the Canadian company needed more time for talks with Canadian federal and state governments for financial assistance with its proposed C$80m (£35m) thermo-mechanical pulp mill in New Brunswick.

Bowater closed the Mersey mill last year, with the loss of 1,600 jobs. It had been losing £6m a year.

The Canadian group hopes to build a 137,000 tonne-a-year plant in New Brunswick, shipping the pulp to Cheshire.

Mr Michael Pelham, managing director of Consolidated Bathurst's UK sales operation, said the group would go ahead with its plans to buy the Ellesmere Port plant if there were strong indications of help from the Canadian Government by July 10.

Dr Ingram Lenton, soon to become managing director of Bowater, said the company had received other inquiries about propositions concerning Ellesmere Port.

Managers take over at slimmed Metsec

BY LORNE BARLING

MANAGERS OF the Tube Investments subsidiary TI Metsec, which manufactures structural building products and roll-formed metal sections, have taken over the company in a £1.05m buy-out deal.

Five members of management have taken a 60 per cent share in the Midlands company—which has been renamed Metal Sections. The Industrial and Commercial Finance Corporation (ICFC), invested £250,000 in a 25 per cent share of the equity and Equity Capital for Industry paid £150,000 for a 15 per cent stake.

National Westminster Bank has provided £500,000 in overdraft facilities and the management, headed by former deputy managing director Mr Keith Hirst, has invested a further £150,000. The new company, which will employ 170 people, was launched on Tuesday.

Metsec recently sold off its car components and ceiling products division and turnover is projected at around £6m a year, compared with about £10m before the divestments.

Rationalisation of the company started more than a year ago with the sale to Duport of its loss-making, knocked-down bus body division, which was heavily dependent on export markets.

The car components side, which relied mainly on the supply of trim and body-strengthening members to Ford and BL, was hit hard by the recession and was sold in January to Metsec's main competitor, Edward Rose.

The strength of sterling severely reduced sales of Metsec's suspended ceiling equipment in Europe and the UK market was not regarded as large enough to generate profits. As a result, this activity was sold to Firsteel Metal Products, a Lonrho subsidiary.

Mr Hirst said yesterday that although these measures returned the company to profitability, the remaining product ranges did not fit in with TI's long-term plans.

He said the buy-out "was seen as an effective solution, which would also maintain employment of the maximum number of employees, while giving the company the opportunity to capitalise on the remaining product ranges."

The numbers employed at Metsec have fallen steadily, from more than 700 two years ago.

The buy-out deal includes a one-year lease on the existing TI premises at Oldbury and modern rolling plant and equipment. The company is seeking around 100,000 sq ft of factory space for a move at the end of the year.

Mr Hirst said: "We have a strong order book at present, and intend to develop the cold roll forming side of the business, which now accounts for an annual turnover of around £2m. We are also planning a number of new products."

ICFC said that, although the new company is highly-geared, with borrowings of about £750,000, it was controlled by a strong and experienced management team which was confident of success.

Mr Derek Sach, West Midlands area manager of ICFC, said an investment of this kind was more beneficial in terms of jobs than the funding of new companies.

UK NEWS—LABOUR

Ports face more action over wage deadlocks

By Pauline Clark, Labour Staff

TWO of Britain's biggest cargo handling ports—Southampton and Liverpool—face further serious disruption this month after failure to break prolonged deadlocks in separate pay disputes affecting more than 5,000 dockers.

Cargo handling in the Port of Liverpool is expected to be brought to a standstill today as 3,500 dockers stage the fifth one-day token strike in a month to protest at delays in settling their annual pay claim.

Last ditch efforts in Southampton to end two months of disruption failed yesterday when resumed pay talks between employers and union representatives of 1,600 dockers broke down after five hours.

Employers in both ports, dominated by the Mersey Docks and Harbour Company in Liverpool and the State-owned British Transport Docks Board in Southampton, have expressed serious concern about the effect on trading as a result of prolonged disruption.

A 10 per cent pay settlement was agreed yesterday for 1,200 dockers at the Suffolk port of Felixstowe.

Liverpool and Southampton are the only remaining big ports which have failed to conclude annual pay agreements this year. In Liverpool settlement was due on May 1 and in Southampton in January 1.

Liverpool shop stewards called today's one-day strike after the breakdown of talks on Monday over the employers' demand for changes in working practices to accompany any pay agreement.

Southampton employers failed to secure agreement from union negotiators to take the pay dispute to arbitration under national procedures laid down for the docks industry.

ROW OVER PLAN TO END 30-YEAR-OLD SYSTEM

BL opposes full-time convenors

BY JOHN LLOYD, LABOUR CORRESPONDENT

BL's CARS division intends to end the 30-year-old system under which senior shop stewards and conveners spend all their time on union work.

The proposal was made on Monday during talks on the new draft procedure agreement. It would bring the 100 or more full-time senior stewards under management discipline, to be allocated work when they were not engaged in union business.

The company told representatives of its four white-collar unions that it wants to push through the changes at plant level. They would apply to all 15 unions in the company, covering 64,000 white collar and manual workers.

The draft agreement says: "Apart from reasonable time to perform their duties, senior shop stewards will be expected to work at their normal occupations under the same conditions of employment as other employees."

Union officials have reacted angrily to the proposal. Mr Granville Hawley, national automotive secretary of the Transport and General Workers Union, said it would "certainly dismember what has been a rather successful structure."

He warned that any attempt to push the measure through at plant level would lead to serious industrial relations problems.

Both national nad local officials see the move as part of a general "union-bashing" climate in the company.

In a leaflet distributed to Longbridge workers, TGWU stewards say: "no one can be in any doubt that BL management is using the current weakness in trade union organisation built up over years of strength and embodied in current agreements."

Mr Jack Carr, national officer of the white-collar engineering union AUEW Tass, who attended the meeting of Monday, said the unions would refuse to discuss the issue at local level. It was up to the company to refer it to national procedures.

BL yesterday denied that the measure was aimed at weakening the unions. The company said it was an attempt to construct a "disciplined approach to bargaining."

BL said it would continue to provide normal facilities, such as office accommodation and telephones, to enable stewards to carry out union work.

The company's proposals would mean that well-known senior representatives like Mr Jack Adams of the TGWU, the plant convenor at Longbridge, and Mr Roy Fraser of the Amalgamated Union of Engineering Workers, the toolmakers' convenor at Cowley, would be required to return to their trades.

Railwaymen vote to press for substantial pay rise next year

BY PHILIP BASSETT, LABOUR STAFF

THE National Union of Railwaymen, British Rail's largest union, yesterday decided to press next year for a substantial increase in pay. This year's pay settlement has not yet been concluded.

Sir Geoffrey Howe, Chancellor of the Exchequer, and other Ministers have urged that pay settlements in the coming wage round will have to be about half the present rate, which some have taken to mean deals next year of 4 to 5 per cent.

This call seemed to go unheeded at the union's annual conference in St Andrews. The claim will probably be in line with the prevailing rate of price inflation.

However, an amendment from the union's militant Paddington No 1 branch calling for the present basic minimum for a railman or woman to be increased from £58.75 to £90, a rise of 53.2 per cent, was not put.

Mr Sid Weighell, NUR general secretary, urged delegates not to tie negotiators' hands for next year. The conference voted by 74 to 3 for a motion calling for a substantial increase "to restore and if possible to advance (members') living standards."

Mr Weighell warned delegates that the pay battle this year would again not be easy. Every percentage point would have to be fought for.

Delegates also rejected by 67-10 a call for the union's executive to report back to the membership before accepting any deal, and by 45-29 a motion calling for flat rate rather than percentage increases.

But the union is still awaiting the outcome of this year's pay negotiations, which have been referred to British Rail's pay tribunal. BR replied to the unions' claim of about 13 per cent with a 7 per cent offer.

The tribunal, chaired by Lord McCarthy, is due to meet tomorrow for further consideration. The final outcome is not expected until late next week, but there is a widespread belief that the tribunal will propose a two-stage deal giving 7 per cent now and about 4 per cent later in the year.

This would be financially better for BR than a double figure recommendation, but it is still far from clear whether the board would be able to fund such a deal.

GLC leader attacks Lucas sacking

MR KEN LIVINGSTONE, leader of Greater London Council, yesterday attacked the sacking by Lucas Aerospace of Mike Cooley, a driving force behind the Centre for Alternative Industrial and Technological Systems (CAITS) at the North-East London Polytechnic.

"The new GLC Administration is committed to the creation of new jobs and the work done by CAITS will play a vital part in carrying out that task," he told County Hall trade unionists.

Blacking call

THE National Union of Mineworkers' executive, meeting this Friday, will consider blacking equipment produced by Mining Supplies, a leading mining machinery manufacturer because of its decision to sack more than 500 workers at its Manchester subsidiary of Lawrence Scott. The workers are occupying the plant.

Safeguards plea for BAe staff with shares

By Our Labour Correspondent

TWO LEADING unions in the engineering industry raised objections yesterday to the Labour Party's policy of re-nationalising the aerospace industry without paying compensation to its new worker shareholders.

However, the 2.5m-strong Confederation of Shipbuilding and Engineering Unions overwhelmingly passed a motion at its Ayr conference in favour of nationalising the shipbuilding industry without compensation and of a greater measure of planning for aerospace.

Mr Ken Gill, general secretary of the white-collar engineering union AUEW Tass, said that a return of BAe to public ownership was a matter of economic justice and economic logic.

Members of staff who had taken shares in the company had been warned by the unions that they were buying stolen property.

Mr Roy Sanderson, a national officer of the Electrical and Plumbing Trades Union, said that 58,000 BAe employees had taken up the free share offer and 27,000 of those had taken up an option for further shares.

"British Aerospace plants are in or close to 13 marginal constituencies. I can't think of any argument against not paying compensation more compelling than that."

Mr Jack Wyman, executive councillor of the Amalgamated Union of Engineering Workers (engineering section) said: "We did not convince our members in the company not to take up the shares.

"Renationalisation without compensation is not going to work on this occasion."

Civil servants to step up action

BY NICK GARNETT, LABOUR STAFF

INTENSIFIED industrial action against tax collecting, including disruption of corporation tax was announced by the civil service unions yesterday.

On the eve of a meeting of the Council of Civil Service Unions today to discuss how further to pursue their pay dispute, the unions said that banking of cheqeus and cash received in payment of a number of taxes so far largely unaffected will be blacked.

The taxes concerned are corporation tax, advance corporation tax, capital gains tax, Schedule D payments, Higher Rate and Schedule E. This will be in addition to the current disruption of PAYE, National Insurance and VAT.

The unions face difficult decisions today on how to pursue the dispute. The meeting will be precedd by on of the unions' main policy committee, which should have details before it of members' response to the unions' call for increased fighting funds, which will be a key element in the discussions.

The executive of the Civil and Public Services Association is still meeting to consider whether to recommend an all-out stoppage.

The other unions, though, generally appear to support a continuation of the present selective stoppages.

A decision today to continue th action could spark off further retaliation from the Government. This might include an examination of whether to change the settlement date for staff involved in stoppages, withdrawing the 7 per cent offer (at least temporarily) and being more aggressive in suspending staff for refusal to work normally.

Pressure on the Government to adopt some of these options is bound to mount if the unions forcefully press ahead today with further industrial action.

The unions said yesterday that action against tax collecting was being intensified "because of the increasing pressure from Inland Revenue management and the continued obduracy of the Government."

They said the new taxes to be hit would normally account for about £1.25bn in revenue this month.

County in closed-shop deal

BY OUR LABOUR STAFF

LEADERS OF Derbyshire County Council personnel committee and unions representing its 13,500 manual workers yesterday agreed to operate a union closed shop subject to formal approval at the next county council meeting.

The move means that the new Labour controlled council is set to restore a former closed-shop agreement which was thrown out 18 months ago by the then Tory council.

Local officials of the National Union of Public Employees said yesterday that consultation with union branches involved had shown strong support for restoration of the agreement.

About 95 per cent of the manual workers are said to be already members of the signatory unions. Any non-union members who state fundamental opposition to joining a union will have the option of paying a union subscription to charity.

Staff employed by the council belonging to the National and Local Government Officers' Assocation were said not to have sought a similar union membership agreement although the national policy of Nalgo, like that of Nupe, is strongly in favour of closed shops.

NEDC COUNCIL MEETING

Union leaders back CBI support of EEC

BY ELAINE WILLIAMS

THE Trades Union Congress yesterday agreed with the Confederaiton of British Industry that there was a need to emphasise the importance of the EEC to UK trade because of the growing wave of disillusionment with Britain's EEC membership.

The CBI warned at a National Economic Development Council meeting of the "uninformed opinion" which underestimated the EEC's value to British companies.

The meeting was attended by Government, industry and union representatives.

The request by Sir Raymond Pennock, CBI president, that the Government should swiftly counter the anti-EEC feeling was met by unexpected support from trade union leaders.

The TUC has been under pressure from member unions to call for EEC withdrawal. Members voted at the last Congress to campaign for a referendum on EEC membership.

Mr David Basnett, general secretary of Feneral Municipal Workers Union yesterday reminded the council that the UK's budget contributions and the common agricultural policy were still in need of reform.

Mr Geoffrey Drain, general secretary of the National and Local Government Officers union, also pointed out that certain big inward investments projects such as Nissan, actually depended on the UK's membership of the EEC.

The CBI said Britain exports 45 per cent of its total production to EEC countries. Membership opened up unrestricted trading opportunities in a market six times bigger than the UK's home market.

The TUC said Britain was often regarded as too insular by other countries. It felt there was an urgent need to find a solution to Britain's problems through reform in the EEC.

The CBI was also pleased with ministers' assurances that the problem of Japanese penetration in British industrial markets—the so-called "laser beam marketing approach" as described by Sir Terence Beckett, CBI director general—will figure high on the agenda at this month's Ottawa summit meeting.

Ministers said agreement had been reached at the Luxemburg meeting which would enable the EEC countries to put forward a united view on the Japanese problem, considerably strengthening the resolve to see something done which might prevent further undermining of key industries.

Qualifed approval for Brandt report

Financial Times Reporter

GOVERNMENT, industry and unions gave qualified approval at the NEDC Council meeting yesterday to the Brand Commission report, which seeks to redress the economic and social inequalities between rich and poor nations.

This month 24 nations will meet at the Western economic nations in Ottawa, where the Brandt report will be briefly discussed. This will pave the way for the North-South conference in Mexico in the autumn, which will discuss international monetary issues.

Lord Carrington, Foreign Secretary, said yesterday the Brandt report's emphasis on industrialised nations providing more aid was to strong.

The Government also feels that the Brandt definition of a poor nation—drawn largely on geographical lines between North and South—is misleading.

It wants the protective trade barriers operated by newly industrialised nations such as Taiwan, Brazil and Korea to be lowered because of their relatively prosperity compared with really poor nations such as Sri Lanka. This call was backed by the CBI.

The TUC felt the UK should take a lead at the Ottawa summit over the Brandt report

Economic Viewpoint, Page 21

Call for textile industry charter

BY RHYS DAVID

UK TEXTILES need a "charter" setting out Government intentions towards the industry and providing a development framework to boost morale and reduce uncertainty, a report presented yesterday to the National Economic Development Council argues.

The report was drawn up for the NEDC joint textile committee by Dr Brian Smith and Mr Basil Feldman, chairman respectively of the wool textile and clothing economic development committees. It claims the industry has made significant advances in productvity in recent years, in many cases out-tripping other UK industrial sectors, and has been through a process of rapid technological change.

The industry has also performed creditably in export markets, maintaining a balance of trade surplus with most EEC countries, including Germany, France and the Netherlands, and with Japan—a feat matched by few other UK industrial sectors.

The industry lost 120,000 jobs out of 760,000 in 1980, and closed 200 mills. But it still accounts for 10 per cent of manufacturing jobs while its output of £10bn puts it ahead of food and drink manufacturing, iron and steel, and coal mining.

Total Government support received between 1972 and 1980 in the form of regional development, temporary employment subsidy and other schemes was dwarfed by payments to other sectors. Textiles and clothing collected a total of £515m compared with £5.7bn for steel and £1.65bn for motor vehicles. The chemical industry took about £545m to support its capital intensive projects.

A key problem affecting the sector is uncertainty, the result in part of the extreme volatility of textile trade. For this reason a firmer statement of Government commitment towards the sector is needed, says the report.

"If the industry is to have the confidence to make changes and if the changes are to achieve their desired results, it needs a framework in which to operate which is both competitive and stable."

The main purpose of the charter would presumably be to reassure a sometimes doubting industry that Whitehall does believe Britain should retain a textile and clothing sector.

The report suggests seven other ways in which firmer Government action could be manifested.

- A more vigorous attack on high tariffs in developed and developing countries which effectively close their markets to UK exports.
- An effective successor to the present Multi Fibre Arrangement and action to prevent sudden disruptive import surges by, for example, rapid implementation of anti-dumping provisions.
- Efforts to ensure UK companies were competing on equal terms with rivals in the EEC and elsewhere, for example in terms of energy costs, effluent and water charges.
- Uniformity of treatment in the support given to textile industries by EEC member states.
- More Government support for promotional initiatives devised by the industry to increase sales in the home market in competition with imports.
- A more positive role by the banks in providing finance—perhaps using firm orders from retailers as a basis for lending.
- Improvement in the level of support available through temporary employment schemes to companies wanting to retain their labour forces in anticipation of better trading conditions.

The report forecasts a growth in demand in developed countries of only 1-2 per cent per annum and of only 0.5 per cent in the UK, although some product categories will enjoy much higher growth.

Imports from developing countries are likely to continue to grow at above this rate. Firms will need to be flexible enough to take advantage of fashion swings and to use their closeness to the market to respond quickly to changing demand.

"The UK alone is unlikely to provide a market of adequate size and firms will increasingly have to regard the EEC as their home market despite the problems of adapting to the diversity of European tastes, and also to recognise the worldwide opportunities for their products," the report concludes.

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Biffen emphasises imports threat but rejects general protection

BY ELINOR GOODMAN, LOBBY CORRESPONDENT

MR JOHN BIFFEN, the Trade Secretary, yesterday introduced a note of qualification into *Britain's commitment to an open* trading policy.

In a major speech on trade policy, he put a new emphasis on the need to protect British industry sometimes from the threat of imports.

He also gave an indication of the *tough line Britain and other* EEC countries wil try to take with Japan at the Economic Summit in Ottawa. Japan, he said, had put a severe strain on the open trading system, and could not suppose that it could solve its own problems in a way that created more problems for everyone else.

The Cabinet has already approved a paper querying whether the existent GATT rules offer adequate protection against the problem posed by countries like Japan, and is trying to initiate a discussion along these lines in the various international trade meetings.

In his speech yesterday, Mr Biffen said Japan represented a "new world trade phenomenon" It had become "super-competitive in a number of industrial sectors," and he doubted *whether those who formulated* the international trade rules either foresaw or sought to cater for this phenomenon.

Britain, he said, was "deeply concerned about the difficulties which Japanese exports were causing many British companies."

Mr Biffen, who was speaking to the Trade Policy Research Centre, couched all his remarks in the context of an open trading policy, and he maintained that his attitude was little different to that of previous Trade Secretaries.

But, throughout his speech, he stressed the need to maintain the flexibility to protect British industry where necessary. There was no virtue in a trade policy which did not recognise that protection from imports might sometimes be necessary.

"We, like our Community partners, believe that, on occasion, the changing pattern of international trade can give rise to excessive market pressures and lead to the erosion of our industrial base.

"*In these circumstances*, it is essential to moderate the pace of change in order to provide a breathing-space in which our industries can restructure."

The Community's trade policy would, he was sure, continue to be determined by its commitment *to an open world trading* system, "though one which I believe has to be flexible enough *to allow problems to be con*tained without destroying its basis."

Mr Biffen is under considerable pressure from some Tory backbenchers to introduce more selective import controls. But acknowledging these pressures, he stressed that the Government was very conscious that any "misjudged decision" on a serious trade issue risked starting a general slide into protectionism.

The Government was, he said, determined to *resist demands* for general protection. Each case would have to be argued on its economic and political merits.

Labour plans foreign car quotas

BY JOHN HUNT, PARLIAMENTARY CORRESPONDENT

A FUTURE Labour government would introduce import controls on foreign cars and set ceilings on the numbers entering Britain. Mr Stan Orme, Labour's Industry spokesman, told the Commons yesterday.

Mr Orme said the controls would apply to all foreign vehicles whatever their origin —a clear indication that his remarks embraced the EEC coun*tries*.

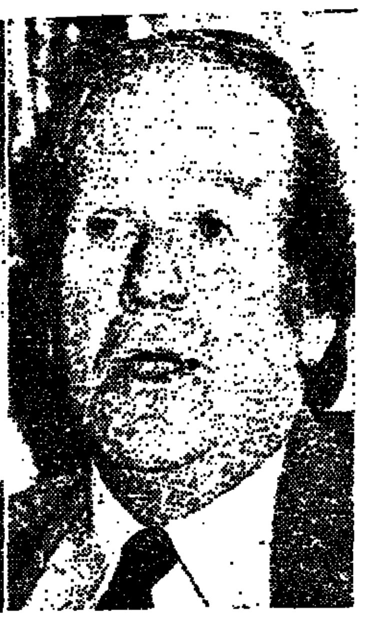
Speaking in a debate on the state of the British motor industry, he said that a Labour administration would seek firm *agreement* with the multinational car producers in the UK to restrict the number of "*captive imports*" which they bring in from their overseas plants.

This would be enforced by the introduction of statutory planning agreements between *the multinationals and the Gov*ernment. Mr Orme emphasised that this would be an essential *part of Labour policy*.

For the Government, Sir Keith Joseph, Industry Secretary, *rejected Mr Orme's pro*posals as "shallow and superficial" and said they *would lead to reprisals from* abroad which would turn British companies into "in*dustrial criples.*"

Sir Keith's central argument was that increased competitive*ness and efficiency is the key to* success in the British car industry. He believed that at BL "there is now *increasing*

Joseph: encouraged by BL



Orme: EEC included

confidence that there is growing before our eyes a change for the better."

On the position of the UK vehicle industry generally, Sir Keith observed "there are signs — faint signs which we must not exaggerate that the climate in the vehicle industry is conjusive to a move back towards profitable competitiveness.

"We must hope that trend *continues until the vehicle* industry becomes profitably competitive and then we shall *have more jobs, secure jobs* and a large and healthier economic base.

Opening the debate Mr Orme said that a sustained recovery of the UK car industry could not be achieved without some form of controls on car imports. Without them, public investment in the industry would go "down the drain" as the home market was cut away.

"To restrict car imports from just one country, or several *countries would be ineffective* since that country's supplies would be replaced by imports *from others," he maintain.* "We must therefore, establish firm import ceilings on all cars whatever their origins."

"That does not mean you stop all cars coming in. It means yo uhave quotas that producers can take into account on the domestic market and gear themselves to what they can export to other countries.

Yet France confined Japanese imports to 3 per cent of the market and Italy to less thag 1 per cent. In addition, President Reagan had just announced that there would be similar restrictions in the U.S.

"That means there are going to be 400,000 cars surplus from Japanese production," said Mr Orme. "What are we going to do about that?"

There were 180,000 Japanese cars *brought into the UK* last year, but British exports to Japan were only 2,926 he said.

Replying to Mr. Orme, Sir Keith said: "We should much prefer to see this problem tackled by the Japanese investing into Europe than by legal import restrictions which could endanger international trading arrangements.'

Sir Keith was questioned about reports that Nissan had reected Wales as a location for the new car factory which it may build in the UK.

He replied: We genuinely don't know what Nissan will decide, whether they will invest here or if they do, where they will invest."

State aid urged for political parties

By Elinor Goodman, Lobby Correspondent

A MAJOR CHANGE in the system for financing political parties, involving a novel form of state funding, under which the amount of aid *would* be related to the amount of money the parties were able to raise themselves, was recommended *yesterday* by the Hansard Society for Parliamentary Government.

The committee, under the chairmanship of Mr Edmund Dell, came down against the idea of unconditional aid, as recommended by the last *major report on the worsen*ing problem of financing Britain's political parties.

But it concluded that some way must be found to lessen the financial dependence of Labour and the Conservatives on the trade unions and industry respectively.

It recommended that a total of £5m should be set aside for financing the parties. Each party's *share of the* fund would be related to the degree of support which it was able to command — measured in terms of the number of people who were prepared to contribute funds.

Specifically, the committee proposed that the state should *match every £2 donation from* a party members with £2 from the central fund. It also recommended a formula which would mean that the parties would only be entitled to claim the maximum amount if they managed to get contributions from nearly one in 12 of those who voted for them at the previous election.

If the formula had applied in 1979, this would have meant that the Tories could have claimed £2.7m, Labour £1.9m, the Liberals £174,000, and the Scottish and Welsh nationalists £100,000 between them. But if the scheme was introduced now, the Social *Democrats would not be able* to claim any assistance this side of the election, because *the SDP members were* elected as Labour MPs.

The question of finance for the political parties has long been a vexed one—and one members of the Hansard Committee was unable to go along with the idea of making state aid conditional.

All the parties are very short of money, and both Labour and the Liberals are in favour of state aid. But the Conservatives are strongly opposed to it: despite their need to raise funds for the next election, the official view seems unlikely to change in the light of the Government's overall commitment to cutting *back on public spending.*

The Hansard Report, however, is highly critical of the *way in which the partiet raise* money at the moment, and warn of the dangers of parties *being under-financed*.

Unless the parties have enough money to carry out their activities, it says, democracy cannot function efficiently. Nor, it argues, can democracy work fairly if the sources of party finance lead to the over-representation of some interests and the under-representation of others.

It points out that Conservative Central Office probably gets as much as 55 or 60 per cent of its funds centrally from company donations, while 90 per cent of the Labour Party's central income comes from the trade unions. *It reflects* the view that the trade unions control the Labour Party as its *paymaster, any more than that* industry can dictate to the Conservative Party, but it says *the financial relationships* between the parties and their institutional supporters "accentuates" the degree of conflict in society.

Heath returns to attack on Government policies

BY DAVID MARSH

MR EDWARD HEATH, the former Conservative Prime Minister, yesterday strongly attacked *the Government's economic* policies and warned of the social dangers of unemployment *rising to 3m.*

Renewing his assault on the present policies of public spend*ing cuts and reliance on mone*tary control, Mr Heath said the only way to spur recovery was *through a national consensus on* the economy.

Speaking at a Business Per*spectives conference in London*, Mr Heath said he did not think further trade union reform *would work*.

He criticised the damage being caused by the Government's dispute with the Civil Service and called for a pay comparability system for civil servants.

Mr Heath said higher unemployment was leading to more *crime, racial tension and a "di*sastrous" impact on the social system.

"*Of course if you have 3m* young people hanging around on the streets all day you will *have a major increase in* juvenile crime. It is inevitable.

He also criticised areas of the *Government's overseas policies* including limitations on foreign students and planned cuts in the BBC's foreign services.

Sir Jeremy Morse, chairman of Lloyds Bank, *told the con*ference that Britain had reached the bottom of recession and "*tentative*" *economic recovery* was likely to begin in the second half of the year.

Stressing the need for a reduction in wage increases, Britain would only benefit from its present *hardships* if, he said, inflation fell to single figures and stayed there in spite of recovery.

Above all, progress in reducescope for cuts in interest rates.

Mr Peter Cazalet, a managing director of British Petroleum, warned aginst any Government attempt to curb rapid exploitation of Britain's North Sea oil and gas resources.

He argued that oil should not be left in the ground because its price in real terms was unlikely to grow at more than 3 to 5 per cent a year.

Tis was somewhat less than Government or business should be expecting to get from invest*ment in efficient enterprises.*

"Artificial contraints on UK oil production are likely to be *either unprofitable or foolish*— or both."

Howe says monopolies face curbs

By Margaret van Hattem, Lobby Staff

THE GOVERNMENT is considering further steps to dismantle the monopoly powers of the nationalised industries, Sir Geoffrey Howe, the Chancellor of the Exchequer said last night.

These include:

Subjecting nationalised industries to regulation and *efficiency* audit by an independent body;

Breaking up public corporations into smaller regional units;

Sale into private hands, including co-operative ownership by the employees.

He indicated that the so*called "natural monopolies,"* such as gas and electricity, the railways, and the postal service would not be exempt.

The traditional case for public ownership in these industries was based on questionable assumptions, he told the Selsdon Group.

It was widely assumed that public ownership could ensure *prices reflecting the efficient* cost of production or at least, could ensure that monopoly *profits went into the public* purse. But pricing policies of nationalised industries were *usually dictated by the short*-term financial and electoral priorities of Governments.

Prices rose when the Government needed money, but were pegged and subsidised when it needed votes. Moreover the public purse did not benefit— profits were quickly absorbed in higher wage costs.

No regulatory authority *existed, he said, to establish the* level of efficient cost and to fix prices accordingly. However, he *argued not for the revival of the* Prices Commission, abolished by the Conservative Govern*ment, but rather for the further* dismantling of public corporations.

"*The consumer is sovereign* in the private sector—in the public sector he is dethroned *by subsidy or monopoly*," he said.

Monopoly profits were too *easily absorbed into sustaining* inefficient processes, excess capacity, overmanning, inflated *earnings or cross subsidisation* of inefficient activities in the face of competition. And *Britain's public corporations* had, in general, been even freer to exploit their monopoly *powers than the privately-owned* utilities of the U.S. and the Continent.

However, privatisation was "not as simple as it appears to its armchair advocates." The Government, while keen to sell off more of the public sector, was awaiting economic recovery.

French 'in minority' at summit

BY IVOR OWEN

PRESIDENT MITTERRAND was in a "very considerable minority" at the EEC summit when he urged his colleagues to follow the French example and introduce reflationary policies, the Prime Minister told the Commons yesterday.

While stressing that her first meeting with the new French leader had been "very friendly," she assured MPs that the decisions reached in Luxembourg earlier in the week would not affect the Govern*ment's economic priorities.*

Mrs Thatcher offered a glimpse of optimism by report*ing that the EEC leaders saw* the "first cautious signs of limited improvement in the *business cycle even though* inflation and unemployment have by no means been brought *under control.*"

Mr Michael Foot, the Opposition leader, suggested that the *French President's socialist* approach had already made an important impact on the *Community and told the Prime* Minister: "The more discussions you have with M Mitterrand the *better it will be.*"

It appeared from the official communique, he said, that Mrs Thatcher had already recognised, with others, that the defeat of unemployment came before the defeat of inflation.

To Labour cheers, Mr Foot urged the Prime Minister to take account of what was being *offered by the new French* Government, because he believed that it held out *greater hope of dealing with* the problems of the economy than anything she had proposed.

Mrs Thatcher replied that the majority view among the EEC leaders had been that more jobs depended upon less inflation.

She reminded **Mr David Stoddart**, (Lab, Swindon) that President Mitterrand's policy of reflation involved taking the French budget deficit from 1.5 per cent to 3 per cent of the gross domestic product.

"*Ours is already over 4½ per* cent of GDP," she emphasised.

When **Mr David Steel**, the *Liberal leader, expressed dis*appointment that the summit had not led to greater stress *being placed on a Community*-wide approach to dealing with unemployment, the Prime Minister highlighted the differing levels of inflation, unemployment, budget deficits and money supply in the member states.

For this reason, she explained, it had been left to each country to make the maximum use of the margin for manoeuvre available to it.

On the prospects for securing a reduction in Britain's net contribution to the EEC budget, the Prime Minister said preparations had been set in hand to ensure that full and proper proposals could be considered at the next EEC summit in November.

She rejected criticism by Mr Foot that the Government had failed to scale down Britain's contribution to the level needed to satisfy undertakings given earlier to the House of Commons.

Mrs Thatcher insisted that the £400m net payment this year was "a great deal less" than *would have been required* under the obligations left behind by the last Labour *Government.*

Levy on TV urged to finance films

BY Gareth Griffiths

BRITISH TELEVISION should pay a levy on the feature films it shows and the money should *be used to finance new films* made in the UK, MPs were told yesterday.

A group of film makers made the call in evidence to the Commons Select Committee on Education and the Arts which is looking at ways of funding film production. The idea for a levy was also backed by Mr Alan Sapper, general secretary of the Association of Cinematograph, Television and Allied Technicians, the most powerful independent television union.

Ratings

Mr Sapper said the possible options for a television levy would include the use of a fixed percentage of the purchase price of each film, an assessment based on the ratings for each showing, and a standard sum per showing regardless of price or ratings. Any such levy should also be paid by the Fourth Channel.

Mr John Boulting and Mr Roy Boulting, the film producers, said that an expanding and prosperous television "had been battening upon an increasingly emaciated film industry."

Films had been bought for derisory sums, sold by British film makers desperate for funds. They cited the example of independent television which showed 328 feature films last year, all of which were originally made for theatrical exhibition.

City

The Boultings told the committee that an annual levy could raise between £50m and £80m a year and provide a launching pad for film finance. The levy could "at last open the doors and give access to City financing."

Evidence to the committee also centred on state aid to film makers and tax relief Mr Sapper said that without state aid, the British film industry could not survive because of its limited domestic market.

The ACTT wants the Government to put up between £5m and *£6m a year for a period of four* years through the establishment of a British Film Authority.

British Gas will miss financial targets, MPs told

BY SUE CAMERON

BRITISH GAS will miss the financial target it has been set by the Government, senior officials from the Department of Energy told a House of Commons select committee yesterday.

The corporation was set a *revised* financial target in February of a 3.5 per cent annual average return—before tax and interest—on its net assets. But now it is expected to have a return of only 2 per cent on net assets.

One of the main reasons for this is the gas levy, which is *forecast to yield £1.3bn for the* Government between 1980 and 1983.

Sir Donald Maitland, Permanent Secretary at the Department of Energy, told the Commons *Committee of Public Accounts* that British Gas's financial target had been revised down*wards from an original 9 per* cent to 3.5 per cent because of the introduction of the gas levy and the cost of the corporation going over to current cost accounting.

He said British Gas's profits up to 1983 were expected to average about £300m a year—on *a post-levy but pre-tax basis.* But these profits would yield only a 2 per cent return on net *assets—on a CCA basis—not 3.5* per cent.

Sir Donald said the discrep*ancy reflected the impact of the* recession and of the changes in the corporation's pricing policy *for industrial customers made* in the Budget.

He warned that as a result *British Gas could move* "into a slightly negative position on cash flow." This might force the *corporation to draw on the* £300m deposits it had in the National Loan Fund to fund its *£4bn investment programme.*

NUR Left outflanked on election

BY PHILIP BASSETT, LABOUR STAFF

LEFT-WINGERS in the National Union of Railwaymen were outflanked yesterday when the union's annual conference decided to ballot delegates on the Labour Party deputy leadership, rather than let the decision be taken by the union's increasingly Left-dominated executive.

The decision, while a comfort to Mr Denis Healey's hopes of *securing the NUR's 165,000* block vote at the party conference, still leaves the final out*come in the balance.*

As a range of conference votes in St Andrews has shown, the 77-man conference, like the executive, is moving increasingly Left-ward. Despite the fact that Mr Sid Weighell, NUR general secretary, has effectively promised to deliver the union's vote to Mr Healey, some senior union officials have privately raised the prospect of the vote going to Mr Tony Benn.

Ballot papers may be distributed to delegates, today, *although the result is not likely* until next week.

Senior NUR officials were keen that the conference delegates should take the decision on the leadership, because, although there are serious doubts about which way the ballot will go, moderate union leaders believed there was little chance of the vote being cast for Mr Healey, if the decision was left to the executive committee.

For perhaps the first time in a union traditionally regarded *as staunchly moderate, the Left* now believes it can command a majority on the executive.

Some have put the balance in favour of the Left on the 26-man executive at 14—12 or 15—10, with one member unclear, though others argue that there is no such division and formal decisions are often unanimous.

The shift to the Left has been *so marked* that there have been suggestions that this may be the moderate Mr Weighell's last conference. However, Mr Weighell said yesterday: "Don't think I'm abandoning it just because its getting rough."

In the event, the conference *decided only narrowly*, by 40 to 36, to go for a ballot, after rejecting by 74 to 3 an attempt to limit the decision on the deputy leadership to Labour Party members only.

The Left sealed its victory, however, on the composition of the electoral college for the party leadership. After abandoning the union's previously firm support for the Shadow Cabinet's bid to reverse the decision of the special Labour Party conference the NUR conference decided to abide by the Wembley formula, which gave the majority of the college's votes to the trade unions.

The decision may well be a considerable embarrassment to Mr Foot, who will address the *conference on Monday.*

Delegates first considered an option giving equal shares to *each of the three main groups*, but that was rejected on the advice of Mr Weighell by 74-3.

On the grounds of trying to maintain party unity, delegates then voted unanimously for the *Wembley formula, giving 40 per* cent of the votes to the trade unions, with 30 per cent each *to the two other main groups.*

NUR leaders are taking direct action against increasing Left-wing dominance, both in the Labour Party and in the union itself.

A qualified commitment to reuniting Ireland

Margaret van Hattem looks at Labour's review of its Ulster policy

LABOUR'S bumpy *ride so far* this year looks like getting even rougher this summer as the *party settles down to a funda*mental review of its policy on Northern Ireland. For Labour *appears to be on the brink of* a change of direction which, if adopted as party policy and later implemented as Labour Government policy, could reverse the recent course of Irish history.

On Tuesday night, the party's Northern Ireland Study Group agreed that Labour should be committed to reuniting Ireland. This *should, it said, be achieved* by agreement and consent; partition could not be ended by *threats, coercion or force.*

But it added one significant qualification: the British Government's guarantee that no constitutional change will take place without the consent of the majority in the Province should not be allowed to obstruct progress.

Ulster should not be expelled from the UK against the wishes *of the Protestant majority. At* the same time, Unionist leaders should not have the right to *veto political progress, with* other interested parties, both *in the North and in the Repub*lic.

Moreover, while stressing the need for "agreement and consent", the group left open the question of whether it meant the consent of the population of Northern Ireland, of the whole of Ireland, of the UK, or of the British Isles.

Mr Michael Foot, the party leader, sought to play down the importance of the study group's report, as yet only in the draft form. There was still a long way to go, he said, before policy decisions were taken at party level.

The study group's conclusions *were only tentative*, much had yet to be discussed—within the study group, at the party's Home Policy Committee and by its National Executive Committee, as well as with the various political parties in Ulster and in the Republic.

Mr Foot stressed the *need for* close co-operation with the Republic and pointed out that *his views were shared by Dr* Garret FitzGerald, the newly-*elected Irish Prime Minister.* The implication appeared to be that Labour is much more in sympathy with the new Irish Government than is the UK Government, and therefore more likely to be able to bring about a political settlement.

Mr Foot also *stressed* the need for consent, especially the consent of the Ulster Protest*ants. The Governments in* London and Dublin had to work together to reduce Protestant fears and distrust. For that reason, there could be no question of withdrawing British troops from the Province, nor of granting political status to H Block prisoners in the Maze Prison.

However, when pressed on *the question of existing* guarantees, and whether they gave Protestants the right to *veto constitutional changes, he* said the word "veto" was too strong. He preferred to speak *of "consent." Constitutional* changes should be settled by the ballot, not the bullet.

Mr Foot's discretion is no doubt prudent at this stage. It *helps to postpone the likely* battles on an issue where feeling runs high and on which the party includes almost as many factions as does the Province.

The study group itself incorporates many of these factions, bringing together the diverse views of Mr Roy Mason, Mr Merlyn Rees, Miss Jo Richardson, Mr Martin Flannery, Mr *Jock Stallard, Mr Stan Thorne* and Mr Alex Kitson among others. Although, as Mr Foot *said, their conclusions are still* only tentative, surprise is already being expressed within the party at the degre to which they have reacher consensus.

The most important aspect of this consensus is the group's clear commitment to a united Ireland.

On other major points, the position of the group appears to be:

- Constitutional changes. The group favours a transfer of power *from* Westminster, via a power-sharing devolved government, to a united Ireland. This is seen as a long-term aim, with direct rule continuing for some time. *Reforms* may be needed in the South, particularly in social legislation such as divorce and contraception law, to break down hostility in the North.
- Civil rights. The group wants a fundamental review of the Emergency Provisions Act and suggests that the Prevention of Terrorism Act should be at least modified, if not repealed. It opposes the *immediate with*drawal of troops but urges that civil rights on questions such as *abortion and homosexuality* should be aligned with the rest of the UK.
- IRA prisoners. The group opposes the granting of political status and agrees with the Government that any concessions on the Maze hunger strikers' *five demands would be unpro*ductive. It suggests some reforms in the system of Diplock *Courts, for example on the* admissibility of confessions as evidence, but opposes the return to trial by jury under present circumstances.
- The economy. The group favours a major reflation of the economy and close co-operation with the Republic in areas such as energy policy, transport and tourism.

CBI seeks to meet TUC on union reform

By Lisa Wood

THE CONFEDERATION of British Industry yesterday told a *Commons committee* that it was "not the intention of the CBI to have any break *in relations*" with the TUC aver union reform legislation.

Mr. Astley Whittall, chair*man of the CBI's employment* policy committee, said the CBI's president, Sir Raymond Pennock, hoped to meet the TUC within the next few weeks.

Earlier this week it was reported that the TUC was considering moves to withdraw from bodies involving the CBI because of its 7-point *trade union reform plan*, submitted to the Employment Secretary in response to his Green Paper on Trade Union legal immunities.

Mr. Whittal said the TUC may have over-reacted to initial press reports before seeing the CBI's response document.

Mr. Oliver Jayne, chairman of the CBI's industrial relations committee, said the CBI was proposing limited *measures and a gradual time*scale for their implementation.

JOBS COLUMN

Pointless, thriftless and socially unjust

BY MICHAEL DIXON

HOW MUCH is enough? I ask the question about the spending of taxpayers' money on the higher education of a minority *of the nation's young people,* in the context of a new scheme thought up by the Manpower Services Commission.

Only one in every eight of the country's 18-year-olds is ad*mitted to higher education. As a* result, that one person in every eight receives a considerable extra allocation of public funds.

By comparison with State spending on the education of people who leave school at the age *of 18, roughly an extra* £15,000 has been spent on each person emerging at the age of 21 with a degree in arts or social studies. The corresponding additional spending on each one graduating in science or technology is roughly £20,000. By comparison with school-leavers too, graduates are much more likely to be offered employment.

But *towards a tenth of this* privileged minority still fail to find acceptable jobs, and the Manpower Services Commission is about to furnish some of *these unemployed* graduates with a further donation from taxpayers' funds of £4,000 per head. It will *do* so by financing them on another year's course at a polytechnic.

One such programme will *start in September at* Bell College in Scotland. Two more will begin *in January at Trent Poly*technic near Nottingham and at *the Polytechnic of Wales in* Cardiff. Each will admit 20 graduates and cost about £80,000. Although regarded as experimental, the scheme seems likely to be extended in future.

The courses are intended to enable their students to become more employable by gaining the *Technician Education Council's* higher award in electrical and *electronic engineering. So entry* will presumably be restricted to people who took other subjects for their bachelor-level degree.

Entrants must, however, have passed in a mathematical subject in the national 18-plus *examinations. Since that is true* of few arts and social studies graduates, it seems that the bulk of entrants will have taken science-side degrees at the higher extra public cost of roughly £20,000 apiece.

*No degree of any kind is nor*mally required for admission to a course for the Technician Education Council's higher award. It can be taken by 18-*year-olds with passes in only* the Advanced-level school-leaving exams.

The graduates will be expected to complete the council's course in *one year whereas the* 18-year-olds would take two years of full-time study. But the younger entrant would clearly gain the same qualification at *far less cost to the Exchequer* than the £19,000 or in most instances £24,000 of the graduate.

The Manpower Services Commission is accordingly not only heaping further privilege on members of an already privileged minority. It is also saddling the taxpayer with a remarkably expensive means of qualifying them notionally for a job such as technical assistant in engineering research and development.

That would be so even if we were sure employers needed the extra electrical and electronics *staff* represented by the output of the new graduate courses. But the evidence appears to be to the contrary.

During the eight months to June, there was a *108* per cent increase to 4,574 in the number *of experienced* electronics and electrical engineers and technical support staff registered as unemployed. Over the past month unemployment among *the same groups of staff* continued to increase at a rate two-fifths faster than unemployment among managers and higher-grade specialist workers *as a whole.*

Given that many 18-year-old school-leavers are being less dearly trained for the identical Technician Education Council award, we would look to have a sufficient stock of skills in electronics and electrical engineering without the supplementary training of graduates at *£4,000 a time.*

So the Manpower Services Commission would seem to be indulging in socially unfair thriftlessness to no essential purpose. If so, it should be made to think again.

If it wishes to set up courses for people who have already had £15,000 to £20,000 spent on their higher education, by all means let it do so. But the graduates should surely be required to repay at least the cost of the extra training provided, perhaps by way of additional tax over their first few years of paid employment.

Good example

THAT COMPLAINT being made, it is only fair to point to another part of the same commission's empire which over the past 12 months has recorded a remarkable success. That part is the Professional and Executive Recruitment agency.

A year ago tomorrow the Jobs Column disclosed that PER was to scrap its advanced computer system which was supposed to help the agency's officials to match people whom it enrolled as job-candidates with openings notified to it by employing organisations.

In place of the electronic wizardry, PER started a weekly magazine including the important details of all the job-openings currently on offer and left it to the job-candidates themselves to decide whether or not they matched the employers' requirements.

By trusting individuals to do for themselves what had previously been done for them by a bunch of computerised civil servants, the agency was cocking a snook at the Nanny State. Moreover, it was planned that this diminishing of nanny's authority would allow PER to *reduce its staff from* nearly 800 to 500 and cut its cost to the taxpayer by nearly 18 per cent.

Alas for the agency's hopes, the start of the magazine-system coincided with the start of a flood of redundancies among the managers and higher-grade specialists whom PER is intended to serve. Taking employed and unemployed job-candidates together, the number enrolled on the agency's books rapidly doubled to around 185,000. So it had to send the weekly magazine free of charge to about twice as many people as had originally been foreseen. This meant *a £500,000 increase in the costs* of publication and postage alone.

Even so PER *has* reduced its staff to 505 with a further 15 or so posts due to go soon. At an estimated £9m-£9.5m in 1981-82, the agency's total costs will be *nearly* 13 per cent less than would have been expected *had the computer-matching sys*tem been continued.

The time of 50 man-minutes formerly taken up by the enrolment of each job-candidate has apparently been cut by almost half. The £16 which in *1978-79 was the cost to the* [Ex]chequer of every candidate [on] the agency's books has b[een] trimmed, despite inflation [in] the meantime, to about £15.

And according to PER di[rec]tor Geoff Crosby, job-seek[ers] and employers are both m[ore] satisfied with the service [pro]vided. "To be honest, the c[om]puter system wasn't liked. [It] was remote because, since o[nly] a small minority of candida[tes] matched one of the jobs [on] offer, our clients very ra[rely] heard from us at all," he s[aid] *the other day.*

"Now they hear from [us] every week, we've taken o[n a] human face. And while in [a] recession we can't list m[ore] than 400 to 500 jobs an issu[e,] which isn't much for 180,[000] seekers—our *market* resea[rch] shows that the unemplo[yed] candidates in particular are [en]couraged by being at least k[ept] in touch with the State emp[loy]ment service. We feel [that] alone is worth the 25p a w[eek] that it costs to send the ma[ga]zine to each person on [the] register and now we've chan[ged] *to a tabloid format even* [the] cost is going down a bit."

Surely nobody would grudge PER its obvi[ous] pleasure in the result. If [its] *example had been matched* [over] the past year by the rest of [the] Manpower Services Comm[is]sion and the public serv[ice] generally, I have a feeling [that] the UK's economic reco[very] would be a good deal neare[r].

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FINANCIAL TIMES
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The successful applicant must possess a thorough knowledge of all aspects of house sales.

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Reply, in the first instance, with full details, to the Company Secretary, Bellway Limited, Dobson House, The Regent Centre, Gosforth, Newcastle upon Tyne NE3 3LT.

Bellway

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Please telephone or send a detailed Curriculum Vitae to Brian Gooch.

Jonathan Wren Banking Appointments
170 Bishopsgate London EC2M 4LX
Telephone: 01-623 1266

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Please write or telephone:

Patrick B. Allen, Managing Director
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Cross Keys House
56 Moorgate, London EC2R 6EL
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We have an exciting opportunity for a good fund manager aged 25 to 30 to join a young, rapidly-expanding investment company.

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Interested Chartered Accountants who meet the requirements please write or telephone for application details quoting reference number 413. All information is confidential and not divulged to clients without candidates' permission.

Brian Woodhead & Co Ltd
The Coach House, 95a Hagley Road, Edgbaston,
Birmingham B16 8LG. Telephone: 021-455 9292 (3 lines).

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SALARY: £12,000 Age: Immaterial

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SALARY: £9,250+

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Please write giving age and full details of experience to: Box A7565, Financial Times 10 Cannon Street, EC4P 4BY.

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OFFSHORE MANAGER

responsible for planning, directing and controlling the activities and operations to assure meeting profit objectives and operational policies under high standards of performance and customer relations.

The main responsibilities for our new man are to

- evaluate, delegate and control activities of drilling operation
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- act as representative to current and prospective customers, industry, government *etc.*
- maintain close contact with and report to STC-management

The offshore manager will also function as back up support for other STC activities within the oil/energy industry and offshore exploration activities.

A highly qualified oil-experienced man with a record of success in a comparable role is required. Terms are negotiable, based on a high salary. Fringe benefits are attractive.

Those to whom this appointment would be of interest are invited to write in complete confidence to Pär-Tage Gustafsson as advisor to the company in this matter.

SCANDINAVIAN TRADING CO AB
Nybrogatan 3, S-11434 Stockholm, Sweden.

OPERATIONAL AUDIT

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- Age in the range of 25 to 35.

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Candidates, male or female, should apply giving concise career and personal details, which will be treated in the strictest confidence, to

Box A.7566, Financial Times
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A major International Bank is seeking a Marketing Officer to be located in the Middle East and responsible for servicing existing clients and developing new business.

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Applications should be addressed, in strict confidence, to:

Brian Jones, St. James's Recruitment,
St. James's House, 4/7 Red Lion Court, Fleet Street, London EC4A 3EB.

International Investment Professionals

Our clients are CAPITAL INTERNATIONAL S.A. and CAPITAL RESEARCH COMPANY S.A., the Geneva based subsidiaries of The Capital Group, Inc., a *U.S.* international investment management organization with subsidiaries managing assets of over $10 billion. They wish to add one and possibly two investment professionals to their team of international portfolio managers and financial analysts. Because of the rapid growth of the international investment activities of the Group, these positions offer considerable scope for development and real opportunities for assuming substantial responsibilities.

Experience is required in at least one of the following fields:
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These positions require initiative, flexibility, integrity and an ability to communicate effectively in English and at least one other language, preferably French, German or Japanese. Swiss nationality or valid Swiss work permit required for Geneva assignment. Applications for possible assignment to locations in London, the USA or the Far East will also be considered.

Please write with curriculum vitae to
B. A. Pelichet, (ref. 8632-S), MSL, Signaustrasse 9, 8008 Zurich, Switzerland.

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Chief Accountant
Saudi Arabian Bank

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Knowledge of English is essential and an Arab national or Arabic speaker would be preferred.

An excellent tax-free salary and the normal range of benefits will be provided for this two year, renewable contract.

Suitably qualified candidates should submit their Curriculum Vitae in confidence, to the Confidential Reply Service, Ref: AMC 8220, Austin Knight Limited, London W1A 1DS.

Applications are forwarded to the client concerned, therefore companies in which you are not interested should be listed in a covering letter to the Confidential Reply Supervisor.

Austin Knight Advertising AK LONDON

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Applications with detailed curriculum vitae will be treated in the strictest *confidence* and *should* be sent to HAVAS CONTACT, reference 72.026 FT, 156, boulevard Haussmann - 75008 PARIS (France) who will transmit.

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Write with full career details and qualifications to:
Colonel George Ramsay, Korn/Ferry International Limited,
2-4 King Street, St. James's,
London SW1Y 6QL.

Blue Circle Industries Limited

EMPLOYMENT CONDITIONS ABROAD LIMITED

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01-637 7604

International Appointments appear every Thursday

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Applicants aged 30-40 should have had several years' experience in liability and foreign exchange management with a major Financial Institution and is expected to be able to develop funding and foreign exchange strategies and controls.

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Applicants aged 30-40 should have had a minimum of five years' experience in share trading and portfolio management with an Investment Bank or *other suitable* Institution. Experience in international markets and *professional qualifications* will be an advantage. As part of an active management team, he is expected to help *establish investment strategies as well as supervise* trading activities.

Generous salaries by international standards for successful candidates including such fringe benefits as housing, first class travel including family, life and health insurance and performance bonus.

Interviews are expected to be held in London and New York during the first half of August, 1981.

Please write, in confidence, enclosing detailed curriculum vitae to:

Basil Al-Nakib
Deputy General Manager
P.O. Box 22792, Safat
Kuwait

Qualified Accountant with Management Potential

£13,500 p.a. with low tax in Namibia

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The Director General of Finance hereby invites applications for two jobs namely:

A: INTERNAL AUDITOR

B: SYSTEMS & PROCEDURES EXPERT

Prospective applicants shall have the following *qualifications:*

A. INTERNAL AUDITOR,—

1. *Membership of the Association of Certified Accountants* of England and Wales, ACCA or equivalent.
2. Good standard of Arabic and English languages (reading, writing and speaking).
3. Minimum of ten years of experience in the field of auditing in the private and public sectors.
4. Good knowledge of Computer systems and procedures.
5. Ready to appear before an Interview prior to appointment.

B. SYSTEMS & PROCEDURES EXPERT:—

1. Holding a University Degree.
2. Good standard of Arabic and English languages (reading, writing and speaking).
3. Minimum of ten years of experience, in the field of systems and procedures in the private and public sectors.
4. Good knowledge of computer systems and procedures.
5. Ready to appear for an interview prior to appointment.

Applicants shall be required to submit photostat copies of *educational/professional certificates* with six passport size photos along with their applications, not later than 15th *July* 1981, to:

Directorate General of Finance, P.O. Box 506 Muscat or to Oman Consulate

Salary and other allowances will be subject to the qualifications and experience.

UNITED NATIONS DEVELOPMENT PROGRAMME

SENIOR MANAGEMENT POSITION—FINANCIAL SYSTEMS

The United Nations Development Programme, the world's largest multilateral technical assistance organisation, seeks a candidate to direct the *development and implementation of its financial and accounting management information systems.* The incumbent will manage a group of EDP professionals, assist users in defining their information requirements and prepare programmes for projects. In addition, the manager will ensure that the financial systems in UNDP are compatible with other systems in the UN family.

The successful candidate will possess a strong accounting and data processing system background, accompanied by excellent managerial, communication and problem-solving skills. A minimum of seven years of management experience in the technical environment is required. Professional requirements include a relevant undergraduate level university degree and a recognised accounting qualification. Post-graduate training in business or public administration would also be beneficial. Fluency in English is a pre-requisite, while a knowledge of French or Spanish would be desirable.

Salary US$40,000-46,000 net, plus a very complete package of leave and other allowances.

Candidates interested in this position should write to Mr. Frederick Lyons, Chief, a.i., Recruitment Section, Division of Personnel, UNDP, 1 U.N. Plaza, New York, N.Y. 10017, referring to vacancy number VA/879/81.

ADVERTISING & MARKETING

BY MICHAEL THOMPSON-NOEL

MONOPOLIES COMMISSION REPORT

BY DAVID CHURCHILL

Why British Posters had to go

THE UK POSTER industry, which has been struggling this year to maintain its market share in the face of fierce competition from other advertising media, was yesterday thrown into turmoil by the strongly worded recommendation by the Monopolies and Mergers Commission that the British Posters *consortium be disbanded*.

The decision means that the pre-selected packages of poster site sold via British Posters — accounting for some 36 per cent of all poster panels — will be phased out, and the poster sites sold individually to advertisers.

The ten leading poster contractors which together form British Posters were locked in urgent talks in London yesterday to decide what action to take following the Commission's report. On the face of it there is little that they can do, since the Commission has quite clearly stated that British Posters was operating against the public interest and should be wound up.

The Government has already *accepted the Commission's* findings, and it is now up to *Gordon* Borrie, the director general of fair trading, to arrange a voluntary acceptance of the Commission's recommendations by British Posters. If no such voluntary undertaking is given, then the Trade Secretary has the statutory power to enforce the changes required.

Apart from its judgment on British Posters, the Commission also concluded that the two main trade associations in the industry—the British Poster Advertising Association and the Solus Outdoor Advertising Association—were also operating against the public interest "in substantially restricting competition between contractors in the acquisition of sites."

Although the associations have subsequently revised their standard conditions to which the Commission was objecting, it believes that the wording of the new conditions "is so imprecise and obscure as to make the provision open to abuse and in our view likely to have some effect in restricting competition."

But it is for British Posters itself that the Commission reserves most of its barbs.

British Posters was set up in the early 1970s in response to the demand for a more balanced *selection of sites*—in terms both of location and sizes—than the poster contractors could usually provide for advertisers.

In the 1960s the poster industry had slimmed down from 700 or so *small family* businesses each selling space in *their neighbourhoods*, to an industry increasingly dominated by a few large companies, including Mills and Allen and London and Provincial.

While these larger companies had extended their range of sites available, it was still difficult for advertisers who wanted to use poster campaigns to achieve the coverage they wanted.

In addition, the poster contractors were often left with isolated sites which were difficult to sell after long-term commitments had been met.

The members of British Posters, therefore, were able to "pool" their available unsold sites and create packages of sites for advertisers. The Commission admits that "while pre-selected campaigns are only one part of the outdoor market, they have established themselves as a desirable part."

According to the Commission's research, British Posters was the largest single supplier of poster sites to advertisers. It calculated that it provided 35.9 per cent of all poster panels, while Mills and Allen alone provided 11.8 per cent of panels and London and Provincial 10.6 per cent.

The other eight members of British Posters between them supplied 15.6 per cent of poster panels while contractors not part of British Posters supplied the remaining 26.1 per cent.

PERCENTAGE SHARE OF MARKET IN TERMS OF SUPPLY TO ADVERTISER OR HIS AGENT

	Turnover†	Calculated on the basis of: Equivalent units	No. of poster panels	Area of sheetage
British Posters	25.3	30.9	35.9	30.2
Mills and Allen	13.9	14.3	11.8	16.7
London and Provincial Posters	14.1	12.7	10.6	13.4
Other British Posters' members	25.7	19.1	15.6	21.4
Other contractors	21.0	23.0	26.1	18.3
	100.0	100.0	100.0	100.0

† *Turnover relates to calendar year 1978.*

Thus almost three-quarters of all panels supplied to advertisers came either directly or indirectly from the 10 contractors forming British Posters.

The Commission took the view that this dominance had led to a higher level of prices and a more consistent approach in pricing strategy among British Poster's members than would have occurred in a more competitive market.

"As the dominant supplier of packages for short-term campaigns, it has been in a very strong position to establish the level of prices in its market which would maximise the total return to its members," says the Commission.

The Commission argued that this had helped produce "very high" profits and rates of return on capital, although acknowledging that the industry had done much to improve its efficiency in recent years.

The Commission was also concerned that the British Posters monopoly had discouraged the sale of "pool" panels to a rival selling organisation, Independent Poster Sales. This strengthened the position of British Posters and its members and restricted competition, concluded the Commission.

Advertisers who had voiced criticisms over the flexibility and composition of poster sites were supported by the Commission. "We think that with more competition in the sale of packages—or more equal competition between British Posters and the other much smaller suppliers of packages—there would have been more willingness to sell some smaller packages and greater flexibility in adapting packages to the needs of the individual customer."

As a result of its conclusions, the Commission recommends that British Posters should be wound up and not reformed under another guise. It did not believe that a new structure could be created which would not have the same adverse effects on the public interest as the present organisation.

The Commission also points out that the geographical spread of the contractors' stock of panels, and especially those of the two leading companies, "makes it impossible at present for any one contractor to provide campaigns with adequate national, or in some cases regional, coverage out of his own stock."

Although the Commission says it is not its place to offer *detailed solutions to the problems, it does offer a few suggestions in order of preference.*

In addition, the Commission feels that the major companies could expand by acquisition in areas where their coverage was weak without producing any *significant detriments to competition.*

Thirdly, the Commission suggests that either of the two major companies could enter into joint selling arrangements with smaller companies on the lines of the present structure of British Posters.

The Commission acknowledges that *none of these* suggestions would provide the *same coverage as that presently* obtained from British Posters.

But it believes that any of them would be better than the present situation.

Roadside Advertising Services: a report by the Monopolies and Mergers Commission; HC 365; SO £5.70.

Burdus for New York

ALMOST LOST amid yesterday's news of Saatchi and Saatchi's acquisition of Dorland, a deal that has forged by far the largest advertising group in Britain (see Page 24), was the revelation of significant management changes at McCann and Co., one of Saatchi's main rivals at the top of British advertising.

In the latest of a series of reshuffles at McCann, chairman Ann Burdus is returning to the U.S. at the end of the year to fill the newly created post of director of strategic planning and research at Interpublic, the McCann parent.

As such, she will be responsible for the forward planning both of Interpublic and its subsidiary agency networks, principally McCann, SSC&B: Lintas, and Marschalk Campbell-Ewald.

Her place as McCann and Co. chairman in London, and as chief executive of McCann-Erickson, the group's main London agency, *is being taken by* Jerry Shively, director of McCann's European region since April last year.

Mr. Shively's new appointments take effect immediately, though Miss Burdus, who recently re-married, is not returning to New York until the end of the year.

Miss Burdus is chairman of the London-based Advertising Association, and a member of the executive committee of the Institute of Practitioners in Advertising. Prior to her return to London to take up the McCann chairmanship in April, 1979, following the departure of ex-McCann chairman Nigel Grandfield, she had worked for McCann in New York after joining its London office as research director in 1971.

The move is described by Phil Geier, chairman of Interpublic, as a "natural development" in her career. Miss Burdus said yesterday that the three McCann agencies in London were now working smoothly and profitably, whereas two had been showing losses on her return to London two years ago.

On the other hand, McCann this year has lost its biggest single account, the £8m to £9m Tesco business, wrested by the agency, Grandfield Rork Collins, formed by Mr Grandfield and two other senior ex-McCann executives.

● TBWA's "KIPPER" commercial for Lego Bricks, one of the most garlanded commercials in Britain ever, won the grand prix at Cannes last week. Gold awards to other British agencies, reports John Simmons, went to Collett Dickenson Pearce (Dunn clothing and Be-Ro flour), Boase Massimi Pollitt (Courage beer), Saatchi & Saatchi (Schweppes), Wight Collins Rutherford Scott (Brutus jeans), Colman and Partners (Citroen) and Foote Cone and Belding (British Airways). A total of 1,665 TV and cinema commercials were entered.

Marketing intangibles

IT IS HARD to imagine anything *less intangible than a* giant turbine engine. But *according to Theordore Levitt,* there is a definite sense in *which all products, even a* turbine that weighs tons, are in some important respects intangible. The significance for *marketing, he says,* can be profound.

Prof Levitt, the author of Marketing Myopia, is the Edward W. Carter Professor of Business Administration at Harvard Business School, and it is in the current issue of the Harvard Business Review that he maintains that distinguishing between companies according to whether their market services or goods is of only peripheral use.

Far better, he says, to speak of tangibles and intangibles.

Intangible products—travel, insurance, repair, banking, brokerage, computer software—*can seldom be inspected or* tested in advance.

Tangible products, on the other hand, differ in that they can usually, or to some degree, be seen, touched, or tasted and tested — often in advance of buying.

"*In practice, though, even the most tangible products can't be reliably tested or experienced* in 'advance,'" he says. "To inspect a steam-generating plant or computer installation in advance at another location, and to have thoroughly studied detailed proposals and designs are not enough. A great deal more is involved than product features and physical installation alone."

He says that a customer may buy a product whose "generic tangibility" (a computer or a steam plant) is as palpable as rock. But although the customer may have bought after *great study, lengthy negotiation, and at great cost,* the process of getting it built on time, installed, and running smoothly *involves a great deal more.*

"When prospective customers *can't experience the product in* advance, they are asked to buy what are *essentially promises* —promises of satisfaction. Even *tangible, testable, feelable,* smellable products," he says, "*are, before they're bought,* largely just promises."

In general, he says, the marketing ideas behind the packaging of a $1m computer, a $2m jet engine and a $500,000 *numerically-controlled* milling machine are scarcely different *from the marketing ideas* behind the packaging of a $50 electric shaver or a $2.50 lipstick.

"Common sense tells us, and research confirms, that people use appearances to make judgements about realities. It matters little whether the products are high priced or low priced, *whether they are technically* complex or simple, whether the buyers are supremely sophisticated in the technology of what's being considered or just plain ignorant, or whether they buy for themselves or for their employers. Everybody always depends to some extent on both appearances and external impressions."

From that vantage point, the professor (one of the very few men anywhere who can as easily discuss the marketing of *merchant banking* as of lobster thermidor), goes on ot examine he various *stages in th esales* process; the keeping of *customers, as opposed to merely* getting them; the enormous problems of quality control in the services sector; and wha he calls making tangible the inangible.

For example: suppose you call two companies to bid on installing house insulation. The first salesman arrives by car paces once round the house, makes quick calculations on the back of a nenvelope and offers a quote of $2.400 for 6 inch fibreglass—total satisfaction guranteed.

Thesecond salesman arrives in a smart white truck, scrupulously measures the entire house, makes extensive notes on a clipboard and promises to return in three days, which he does, with a typed proposal for 6 inch fibreglass at a cost of $2,800 — total satisfaction *guaranteed.*

From which company will you buy?

The latter, says the professor, has "tangibilised the intangible"—which is to say, made a promise into a credible expectation

TECHNOLOGY

EDITED BY ALAN CANE

Mr. Pig, are you comfortable?

BY DAVID FISHLOCK, SCIENCE EDITOR

FARM safety involves designing a tractor stable enough to neither roll over nor slide downhill when on steep slopes.

FARM ANIMALS can now be asked to say when they want food, when they are cold, when they would like the light turned out.

Scientists with the Agricultural Research Council have shown, for example, that young pigs choose to live at a temperature of 25 degrees C. And given the chance to turn the light on and off, they choose to spend 28 per cent of their time in darkness.

These experiments in "asking the animals"—sheep and calves, as well as pigs—how they prefer to live are part of a display of research by the ARC presented to the Duke of Edinburgh at the Royal Society in London this week, and to the public at the Royal Show next week.

The ARC, under the direction of Dr Ralph Riley, FRS, its secretary, with a budget last year of £56m, is celebrating 50 years of research in support of British farming. The effort is spread among 33 institutes and units.

Onion exports

Did you know that Britain has become an exporter of onions? In the mid-1960s it was importing most of its onions, for the national crop had withered to 8 per cent of consumption. The Frenchman with a bicycle laden with onion strings was a familiar sight in the south-east.

The ARC's National Vegetable Research Station at Wellesbourne tackled the problem of revitalising the British onion. Bulk storage was the crucial problem—new ways were needed for preserving the summer crop throughout the following winter. The villain was a fungus *Botrytis allii*, causing neck rot.

The researchers found that infected seeds were the cause of *infection*—something that was unsuspected before, and which required special techniques to detect it. A fungicide, benomyl, was first widely used by seed merchants in 1973.

R and D costs over the period 1972-75 are estimated at £51,600. The researchers say that savings rose from £2.7m that year, for a cost of seed treatment of £500, to £6.4m in 1979, for a cost of seed treatment of £1,500.

In 1979, Britain had 16,000 acres growing onions, compared with 2,000 in 1965. It was fulfilling 58 per cent of the home market—and even exported 4,500 tonnes.

Wheat breeding in Britain is another success claimed by the ARC, which this time gives credit to its Plant Breeding Institute, at Cambridge, for developments which have raised national average yields from two tonnes per hectare in 1930 to 4.9 tonnes per hectare in 1980.

At least half of the increase is attributed to new higher yielding varieties many of which the the institute itself has bred.

What is more without these new varieties farmers would have had difficulty in exploiting other modern methods of husbandry such as the combined harvester. Norman, latest of the wheats from the Plant Breeding Institute introduced only last year, has a grain yield as high as 8.9 tonnes per hectare.

Crop protection research is an activity which occupies, in part, no fewer than 15 of the ARC's institutes and accounts for 12 per cent of the council's research budget.

Increasingly, with the failure of pesticides to give adequate *control of pests and diseases,* the researchers turn to integrated pest management schemes designed to maximise the use of natural enemies and to minimise the need for pesticides.

The Glasshouse Crops Research Institute at Littlehampton, for example, devises integrated pest management schemes for glasshouses, a sheltered environment in which such schemes have produced unexpected improvements in yield.

The researchers combine the talents of four different agents: predators such as *Phytoseiulus*, a mite which feeds on the red spider mite; parasites such as *Encarisa*, a tiny wasp which attacks whitefly; pathogens such as *Verticillium lecanii*, a fungus which infects aphids; and chemicals (pesticides) compatible with the biological agents.

Integrated pest management techniques are now being extended successfully to other outdoor crops, such as fruit by the East Malling Research Station in Kent, and to cereal crops.

Farm safety is a major interest of the National Institute of Agricultural Engineering at Silsoe, and the Scottish Institute of Agricultural Engineering.

Both are deep into tractor safety, and especially the design of tractors stable enough neither to roll over nor slide downhill when working on very steep slopes. Time was when overturned tractors killed about 30 people a year in England and Wales.

Fruit picking

At Silsoe the engineers have built an artificial bank on which they can measure the stresses on tilted tractors at unbelievably steep angles. In Scotland they have a radio-controlled tractor with which to confirm calculations for stability and loss of control.

Another advanced development from Silsoe is a method of mechanically havesting blackcurrents, which in turn has evolved into machines tailored to pick gooseberries, grapes, raspberries, even strawberries. One form or another of this family of machines can be found today in no fewer than 13 countries, the institute claims.

The most adventurous of the ARC's "engineering" programmes, however, is one launched in 1978, bringing together the skills and experience of seven of its laboratories and the University of Nottingham, in a major commitment to genetic engineering.

The main stress is on establishing the technology needed *for the genetic manipulation of* plants. But the programme is also aware of the broader implications of biotechnology and its progress for agriculture and food.

Some plants can be regenerated from a single cell or a cell protoplast; that is, a cell without a cell wall. Unfortunately for the most part those which can—the petunia, for example —are of little commercial significance. But there are signs that it may be possible to cultivate cereals and grasses from a cell protoplast.

If so, it may well prove possible to introduce—by genetic engineering — changes in the plant cell which could increase the natural resistance to pests, improve the yield or the efficiency of nitrogen fixation and even enhance the efficiency *of photo-synthesis.*

Series Six family of programmable controllers

THE SERIES SIX family of *programmable controllers made* by U.S. General Electric has been introduced into the UK by Simplex GE in *three models of increasing* capacity, the 60, 600 and 6000.

Each performs in the same basic way. Inputs from plant devices such as switches, sensors and probes are accepted by the system which, according to a programme previously put into it will sequence and control activating devices such as relays and motor starters.

Programming is carried out on a terminal with 12 inch screen using easily understood ladder diagrams. This unit can act on-line when individual program elements *have to be altered* or it can be used off-line to develop a *complete control scheme* which can then be electronically loaded into the controller.

The programming terminal can hold a program of up to 32,000 16-bit words.

The smallest controller, model 60, can deploy a program of up to 2000 words and can accommodate up to 256 inputs and 256 outputs. In the top end unit, Model 600, these figures are raised to 32,000 words and 2000 inputs/outputs (with an optional module).

Simplex GE is in Stoke on Trent on 078130 3003.

Computer industry sees a light

The worst of the recession may be over for the computer industry as large customers gear *up for new expansion in data* processing.

The latest survey of opinion among computer users carried *out by the* consultancy, Urwick Dynamics in conjunction with *Computing* newspaper shows that 80 per cent of companies *with more than 50,000* employees and 58 per cent of com*panies with between 10,000* and 49,000 employees intend to *spend more on computer hard*ware in the next 12 months.

But they are looking for cost effective growth. Eighty per cent *of the largest companies* and 60 per cent of the 10,000-49,000 *employees group* said they would be maintaining the *same number of programming* staff.

The survey is carried out quarterly in the UK among over 500 companies from the very small to the very large.

Previous surveys showed that companies' intentions to spend more money on hardware reached a low in March this year, having fallen steadily since last June. This quarter's result is the first to suggest that the downward trend has bottomed and that recovery is in sight.

The companies justified their spending plans chiefly in cost-benefit terms. One manager said: "Our hands were tied by management who were reluctant to invest in an area which seems outside of the main thrust of the business—but we are getting our own way again."

Another, from the retail sector pointed out: "The recovery is industry dependent —we are spending more because of the demand for point of sale equipment in the retail industry."

In fact, 87 per cent of companies in the retail and distribution sector indicated they *would spend* as much or more again on hardware in the *coming year.*

While most companies (64 per cent) are committed to simply maintaining their programming and operating staff numbers, there has been a distinct increase in the number of companies which say they will increase their staff numbers, from 22 per cent in December 1980 to 26 per cent in March 1981, to 29 per cent in the current survey.

In September 1979, almost half the companies polled said they intended to increase their programming staffs.

One manager said: "I think the computer recession is over. There is more and more information which is needed by management. Everyone is running a model today—especially when business is tough."

Another argued: "The deeper the general recession, the more demand for dp staff. We save other staff—as we provide the information needed to run a tight ship."

Project deadlines were still the dp managers' greatest headache, with the problem of maintenance second: "Maintenance is why we cannot meet deadlines," one manager said, "How can you plan for maintenance?"

There were complaints *that* time and money was being wasted as individuals *within* companies started to do their own data processing without asking advice from the data processing department.

"They go straight to outsiders. This is a needless expense. It is either ignorance or cussedness."

The pattern for software expenditure shows remarkable consistency over the past two years, with well over 60 per cent of companies polled agreeing that they will spend more on packages—prewritten software which needs only slight tailoring to fit a company's requirements.

This finding was at some odds with the comments from data processing managers: "Application packages are always at the bottom of the list for me," one said. "They always have to be tailored."

Another argued: "When you get down to detail, they *do not* fit. It is cheaper to write your own," and another: "If the *cost* of the package is high, and it always is, we challenge the urgency of the job. If the user can wait and you *can put it in* a development slot, it is cheaper."

So the expected boom in packaged software could *fail* to materialise.

Urwick is on 01-229 6742.

ALAN CANE

POINTERS

Weatherproofing

LIQUID PLASTICS says that its new type of weatherproofing vapour barrier for the protection of external rigid urethane *foam insulation*, Soladex, is particularly suited for use in cryo*genic work or for interior cold* stores. It is based on Hypalon *chlorosulfonated* polyethylene of Du Pont.

Soladex, the company adds, also retains its weatherproofing characteristics when applied to concrete and asbestos-cement *roofs* and walls. It covers the treated surface with a seamless skin, giving a uniform coating with minimal pinholing and a *brush-mark-free* surface. *More* on 0772-59781.

Auto-diallers

ESTABLISHED already in a wide range of U.S. data communications networks, the VA series of auto-diallers has been introduced in the UK by Racal-*Milgo*. It *offers*, the company claims, significant savings in *operating costs* over conventionally dialled public lines.

Applications cover many activities from banking to retailing to off-peak data transfer and diagnostic testing. The two basic models are available in either pulse or tone dialling modes and can carry a V24/25 adaptor to give further savings by removing the need for costly V25 ports on computers and terminals. More from 0734 782158.

Fire detection

AFA-MINERVA'S *new* fire and intruder detection system, the Series 4000, has a *multi-function* programmable controller which monitors *electronically its fire* detectors, intruder-detection devices, plant and *building servic*ing monitoring operations, door status *and emergency exit con*trols and emergency alarm systems.

A micro-computer based monitoring system which allows for the presentation of fire or intruder alarm information *on* VDUs in text, or in colour graphic form, has also been developed. More on 01-940 9851.

LOMBARD

Transplant trials for Japan

BY CHRISTOPHER LORENZ

THE LONG-CHERISHED myth that Japanese management techniques are not exportable to the West has at last been shattered; an almost weekly wave of books, studies and articles now bears witness to the latest management fashion, "Learn from Japan."

The myth-laying process was initiated by the remarkable improvements in productivity and quality which were achieved in the late 1970s by Japanese-owned factories on both sides of the Atlantic. It has been accelerated by the new-found success of small "quality circles" in indigenous U.S. and UK plants.

So this is, to put it mildly, a singularly inappropriate time to learn that certain aspects of the Japanese way of management are causing growing strains between western and expatriate executives within some of the longest-established Japanese companies in Europe.

Resentment

The trouble is not with quality circles, but that some companies seem to have failed to involve local managers in the famous Japanese process of consensus-decision-making, and that resentment among nationals is growing as a result.

To be specific: a conference on Japanese management in Europe was held last month at the London School of Economics to bring researchers together with practitioners. Among the many positive experiences to be exchanged; the few negative pointers stuck out like a sore *thumb*.

Of most concern was the way the "dual structure" of management is persisting in some companies, with locals being flanked at almost every level by Japanese who are far more plugged into the—Japanese-speaking—consensus network (this relies partly on mammoth after-hours telephone chats with Tokyo, Osaka or wherever). The net result is that the Western manager often feels powerless and disorientated, whatever his official title or position.

The problem seems particularly acute in the subsidiaries of some of the larger trading companies, where localisation has progressed less rapidly than in manufacturing and marketing enterprises, in spite of the fact that the latter arrived in Europe far more recently.

There have even been a few allegations that previous progress towards localisation is being reversed in some trading companies, with more Western managers having their work double-checked or even taken over completely by their Japanese colleagues. As a result, a number of Westerners have resigned in disillusionment.

One can well understand the frustration of an experienced Western executive who has to play second fiddle to yet another young Japanese sent out from home for a year or two. But the problem should not be exaggerated. Japanese companies have only recently gone multinational, and with all the obvious social and language difficulties *it is not surprising that* some of them should still insist on their own nationals making most of the key decisions, even at middle management level. This is precisely what most American multinationals did in Europe at the equivalent stage of development 15, 25 or 35 years ago; some still do it, as many a frustrated Englishman or German will tell you.

Nevertheless, these signs do augur badly for Japan's much-heralded build-up of a major manufacturing presence in Europe. As many American companies have found, a multinational which fails to integrate *itself into local society*, and remove the impression of being remote-controlled from thousands of miles away, tends to be viewed with suspicion by trade unions and government alike.

Culture

In any case, how can a really large *multi-national* rely entirely on expatriates from its home base? There just aren't enough good people to go round who are willing to serve abroad for long periods, especially in countries where the culture is distinctly different from their own.

The Japanese may retort that they are having difficulties integrating individualistic western managers into their company "families," and that the fault lies with western values, education and so on. Yet some Japanese subsidiaries seem to be localising quite successfully, with westerners holding almost all the key posts.

Double talk about kick backs

BUSINESS AND THE COURTS

BY A. H. HERMANN, Legal Correspondent

LAST WEEK, the issue of bribes which armament makers pay to secure contracts abroad was again brought to the public's attention and generated the usual amount of moral indignation as well as its equivalent in self-righteous denials. The Ministry of Defence confirmed that its wholly-owned company, International Military Services, paid little short of £0.5m into the Swiss bank account of agents providing consultancy services in arms deals.

The Ministry firmly denied allegations, made in the Press, that it paid bribes to overseas Government officials to secure arms sales. But in evidence to the Public Accounts Committee, Sir Frank Cooper, the Permanent Secretary, conceded that one could not be certain once the money was paid that some of it might not be used for bribes or corruption. He insisted that neither the Ministry of Defence nor its company would condone such payments. The Public Accounts Committee accepted these assurances.

There is much unnecessary double-talk about these matters. It is forced on those who are engaged in export business of a *certain type—and it need not* only be armaments but public contracts of any sort—by those who believe in the possibility of exporting social systems and ethics. There may be a good case for co-operation between *the exporting countries aimed at* restricting or keeping within reasonable limits the bribes extorted from their nationals in countries where a deal between a contractor and politician or ruler is the normal way of doing *business. But it would be difficult to find a more bizarre extra-*territorial application of national laws than that which is designed to prevent own and foreign nationals from complying with a fundamental condition of doing business in such countries.

Those who believe in exporting social systems and ethics

The countries belonging to the Group of 77 know about these things apparently much more than the supplying countries; they have blocked in the United Nations a U.S. resolution proposing a treaty outlawing illicit payments. The U.S. Foreign Corrupt Practices Act *is now also attacked* by American companies which claim to have lost considerable foreign business as a result and, in addi*tion, are terrified of* the leaks of confidential information they are required to supply under the Act. There is a wide degree of agreement in the U.S., both among Republicans and Democrats, that the Act ought to be revised, but there is also a common fear of being seen to support pro-bribery legislation.

It seems to be high time to put aside slogans and to look at the substance of the problem. The essence of the U.S. *Act is* the prohibition of payments to foreign officials to obtain or re*tain* business. Executives are exposed to criminal prosecution for knowing or "having reason to know" that their sales representatives are *making* such payments. It is no defence that such payments were not *authorised* by them. The Act has extraterritorial application of two kinds: it tries to regulate business activities in the countries where contracts are sought and it hits foreign subsidiaries and associates in industrialised countries.

Considering such legislation from the point of view of developing countries, one has to take into account that many *of them* do not have a properly functioning tax system and that payments from government contractors play an important part *in financing the machinery of* government. At the same time, such payments are, of course, a method of securing a higher income for the members of the dominant political faction.

Replacement of bribes by a more orderly method of financing administration would, of course, be desirable, not only for the convenience of their business partners but also for the sake of the developing countries. Such major change in business *mores* can, however, be achieved only as part of political and economic development and not from outside by legislation enacted in the supplying countries.

From the point *of view of* industrialised countries competing for contracts, anti-bribery legislation of the type enacted in the U.S. will always be suspect. According to Mr Philip Heymann, the Assistant Attorney General responsible for the Criminal Division of the U.S. Department of Justice, the enforcement of the anti-bribery act should be rigorous when all the competitors are American or when it is known that the non-American competitors present on the market are not engaging in corrupt practices.

In practice, the purity of the non-Americans will be difficult to establish, with the result that the usual kick backs will be condoned *if they are necessary* to beat the British, French, German or Japanese bids, and prosecuted only when the competition is limited to American companies.

The problem looks quite different if we turn from legislation designed to apply to business in foreign countries to legislation adopted for domestic use. In countries which have a proper system of state finance, bribes not only distort competition and reduce the efficiency of the economy, but can also undermine the political and social foundations of the system. Poland is an example of a country where corruption has become an intolerable burden and has substantially contributed to a *radicalisation of the reform* movement.

Even in Austria, whose *population is enjoying* an unprecedented affluence and economic security, the scandal of the Vienna General Hospital had a great impact on the politics of the country and weakened the position of the Socialist Government. It was estimated that the costs of building this welfare Concord escalated from a budget of £200m to some £2bn and substantial sums were alleged to have found their way to numbered accounts in various tax havens.

Two officials and six execu*tives of subcontractors* (including the Austrian subsidiaries of ITT and Siemens) were detained. A parliamentary committee investigating the case did not agree on apportioning responsibility between the political parties.

There is, however, one result. The Government produced a Bill to strengthen the anti-bribery provisions of the Criminal Code. Aimed against abuses in public tenders, it makes bribes a criminal offence even when given only to make the official do his duty.

A Bill to strengthen anti-bribery provisions

Leading managers of enterprises have so far been exempt from criminal sanctions if they have done something they ought not, having received a gift of no significant value. This loophole should now be removed though not altogether. The criminal sanctions against top managers will be made available also against those who can influence their decisions by proposals, feasibility studies and documentation.

Braughing is hope for Brighton

RACING

BY DOMINIC WIGAN

CLIVE BRITTAIN, whose Newmarket team is riding the crest of a wave following a long period in the doldrums, must have high hopes of winning today with Braughing in the Brighton Challenge Cup.

Although Braughing has to contend with eight rivals and the steadier of 10 stone in this long established mile test sponsored by Courage, he should be up to his task, judged on his remarkable effort in the Challenge Trophy at the last meeting here.

Putting in a tremendously strong challenge close to home after getting slowly into his stride Braughing failed by only a head under 10 st 1 lb to concede 10 lb to On Edge, who was in form.

That was a fine weight carrying performance by Carson's mount and a repetition should see him victorious today, particularly at the expense of Revocation.

Three other likely looking propositions on a day which could see the punters faring better than usual are Pykestaff, Cheap Seats and Willow Herb. The first named, a Giacometti colt out of a Hard Ridden mare, will relish the fast ground at Brighton and can score at remunerative odds. The other two are more obvious choices at Carlisle, where it is interest*ing to see that Hastings-Bass has decided* to take on handicappers with the maiden, Willow Herb.

Thirty additional jumping fixtures have been *scheduled* for 1982 in an effort to recycle prize money lost to National Hunt racing as a result of winter abandonments.

The Racecourse Association proposed that 30 meetings should be programmed officially, thus obtaining maximum advance publicity in diaries and calendars.

The *30* replacement fixtures are in addition to the 959 days scheduled in the 1982 fixture list. The full allocation of 70 evening meetings allowable under the fixtures list criteria has been taken up, and new bank holiday fixtures have been given to Ludlow and Devon and Exeter on May Day, when there will be a total of ten meetings, the maximum permitted by the criteria. Carlisle, too, has a new bank holiday fixture, on New Year's Day, when six meetings *are scheduled*.

SELECTIONS

BRIGHTON

1.45—Come on the Blues
2.45—Braughing
3.15—Gayles Bambina
3.45—Pykestaff**

CARLISLE

2.30—Mashin Time
3.00—Cheap Seats
4.30—Lifestyle*
5.00—Willow Herb***

TV/Radio

† Indicates programme in black and white

BBC 1

6.40-7.05 am Open University (Ultra high frequency only). 9.47 For Schools, Colleges. 11.25 Cricket: Second Test—England v Australia. 1.30 pm Chock-a-Block. 1.45 News. 1.55 Wimbledon Tennis Championships. 4.18 Regional News for England (except London). 4.20 Play School (as BBC 2 11.00 am). 4.45 Scooby Doo. 5.05 John Craven's Newsround. 5.10 We Are the Champions.

5.40 News.
5.55 Nationwide (London and South-East only).
6.20 Wimbledon highlights.
7.25 Top of the Pops.
7.55 The Hitch-hiker's Guide to the Galaxy.
8.30 Rings on Their Fingers.
9.00 News.
9.25 The Good Old Days.
10.15 André Previn and Friends.
10.55 Anatomy of Volcano.
11.50-11.55 News Headlines.

All Regions as BBC 1 except as follows:—

Cymru / Wales — 11.30 am Search: 11.50 Join BBC 1 (Cricket). 5.55 pm Wales Today. 6.15 Heddiw. 6.35 Join BBC 1 (Wimbledon). 11.50 News Headlines, News and Weather for Wales.

Scotland—1.25-1.30 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.50 News Headlines, News and Weather for Scotland.

Northern Ireland—4.18-4.20 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.50 News Headlines, News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich), Look North (Leeds); Look North (Newcastle); Look North-West (Manchester); Midlands-Today (Birmingham); Points West (Bristol), South Today (Southampton); Spotlight South-West (Plymouth).

BBC 2

11.00 am Play School.
2.00 pm You and Me.
2.15 For Schools, Colleges.
2.35 Cricket (Second Test) and Wimbledon Tennis Championships.
7.40 Mid-evening News.
†7.50 "Red River," starring John Wayne and Montgomery Clift.
10.00 Wimbledon highlights.
10.45 Newsnight.
11.30 Cricket: Second Test highlights.

LONDON

9.30 am Schools Programmes. 12.00 The Ark Stories. 12.10 pm Stepping Stones. 12.30 The Sullivans. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Take the High Road. 2.00 Here Today. †2.25 "Nor The Moon By Night," starring Belinda Lee, Michael Craig and Patrick McGoohan. 4.15 Daffy Duck. 4.20 Survival. 4.50 Salvage 1.

5.45 News.
6.00 Thames News.
6.25 Help!
6.35 "Beach Patrol."
8.00 Young at Heart.
8.30 TV Eye.
9.00 Funny Man.
10.00 News.
10.30 Secrets of Midland Heights.
11.30 Christians Under Fire: How is Christianity relevant to Britain in 1981?
12.00 What the Papers Say.
12.15 am Close: Sit Up and Listen with the Rt Hon Norman St John Stevas.

All IBA Regions as London *except at the following times:—*

ANGLIA

1.20 pm Anglia News. 2.25 Thursday Afternoon Film: Four Against the Desert. 4.20 Little House on the Prairie. 6.00 About Anglia. 6.20 Arena. 6.35 Crossroads. 7.00 The Palace Presents. 10.30 The Jim Davidson Show. 11.00 The Questors. 11.30 240 Robert. 12.30 am Themes.

ATV

1.20 pm ATV News. 2.25 Movie Matinee: "Morgan—A Suitable Case For Treatment" starring Vanessa Redgrave. 4.20 Vicky The Viking. 4.45 Little House on the Prairie. 6.00 ATV News. 6.05 Crossroads. 6.30 ATV *Today*. *7.00 Give Us A Clue*. 7.30 England Their England: Anna Ford asks "Can the Welfare State survive?" 11.30 ATV News. 11.35 The Questors. 12.05 am Police Surgeon.

BORDER

1.20 pm Border News. 2.25 Thursday Matinee. "Green Fire," starring Stewart Granger, Paul Douglas and Grace Kelly. 4.20 Vicky The Viking. 4.50 Little House on the Prairie. 6.00 Lookaround Thursday. 6.35 Crossroads. 7.00 Monte Carlo Show. 10.30 Take *The Mick (Tribute to Louis Armstrong)*. 11.00 The Questors. 11.30 Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's On Where and Weather. 2.25 The Thursday Matinee: "She." 4.20 Little House on the Prairie. 5.15 Father *Dear Father*. 6.00 Channel Report. 6.35 Crossroads. 7.00 The Television Programme. 7.30 The Duke's Map. 10.28 Channel Late News. 10.36 Brass in Concert. 11.20 The Questors. 11.50 *News and Weather in French*.

GRAMPIAN

GRAMPIAN

9.45 am First Thing. 9.50 Patterns. 10.15 Target the Impossible. 10.40 A Big Country. 11.05 The Adventures of Niko. 11.35 Stingray. 12.00 The Ark Stories. 1.20 pm North News. 2.25 Feature Film: "Stolen Hours" starring Susan Hayward and Michael Craig. 4.20 Little House on the Prairie. 5.10 Police News. 5.15 Survival. 6.00 North Tonight. 6.35 Crossroads. 7.00 Top Club. 7.30 *Father Dear Father*. 10.30 Soap. 11.00 The Questors. 11.30 North Headlines. 11.35 Superstar Profile.

GRANADA

GRANADA

1.20 pm Granada Reports. †2.25 Thursday Matinee—Ronald Colman, Madeleine Carroll, Douglas Fairbanks Jnr and David Niven in "The Prisoner of Zenda." 4.20 The Flintstones. 4.50 Story Hour. 6.00 Granada Reports. 6.25 This Is Your Right with Michael Winstanley. Malcolm McLean, a Health Department adviser, talks about the effect of industrial action on social security benefits. 6.30 Crossroads. 7.00 Thursday Movie Premiere—"Hagen." 10.30 Celebration. 11.15 The Questors. 11.45 What The Papers Say—Simon Winchester looks at what the papers have been saying this week. 12.05 am Police Surgeon.

HTV

HTV

1.20 pm HTV News. 2.25 Thursday Matinee: "Stolen Hours" starring Susan Hayward and Michael Craig. 4.20 Spiderman. 4.45 The Flying Kiwi. 5.10 Jobline Newsdesk. 5.20 Crossroads. 6.00 Report West. 6.30 "Nowhere to Hide" starring Lee Van Cleef. 10.28 HTV News. 10.35 *It's a Great Western Chorus*. *11.05 Mannix*.

HTV Cymru/Wales—As HTV West except: 9.30-9.45 am Cymru a'r Mor. 12.0-12.10 pm Owain a'r Ohon. 4.15 Brendon Chase. 4.45 Ser. 5.15-5.20 Baggin the Dragon. 6.00 Y Dydd. 6.15-

SCOTTISH

9.55 am Simon in the Land of Chalk Drawings. *10.0 Hands*. *10.25 How the West Was Won*. 1.20 pm News and road and weather. 1.30 Cracker Golf. 2.25 Thursday Matinee: "Captains Courageous" (TV movie). 4.20 Little House on the Prairie. 5.15 Teatime Tales. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Take the High Road. 7.00 Now You See It. 7.30 Leave It To Charlie. 10.30 Soap. 11.00 The Questors. 11.30 Late Call. 11.35 Brass in Concert.

SOUTHERN

SOUTHERN

1.20 pm Southern News. 2.25 "Sky West and Crooked" starring Hayley Mills. 4.20 The Beachcombers. 4.45 The Flying Kiwi. 5.15 Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Day by Day. 6.30 University Challenge. 7.00 "Hagen." 10.30 Your Westminster. 11.00 The Questors. 11.30 Father Dear Father.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News *and Lookaround*. †2.25 Thursday Matinee—"A Jolly Bad Fellow." starring Leo McKern and Janet Munro. 4.20 Herculoids. 4.50 Tarzan. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 7.00 *The Incredible Hulk*. 10.30 North East News. 10.32 Soap. 11.00 Double Top. 11.30 The Questors. 12.00 Christianity Is . . . So Lax.

ULSTER

1.20 pm Lunchtime. 4.13 Ulster News. 4.20 Little House on the Prairie. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 6.20 Police Six. 6.30 Happy Days. 7.00 Thursday Movie: "Hagen." 10.29 Ulster Weather. 10.30 Soap. 11.00 The Questors. 11.30 Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 2.25 The Thursday Matinee: "She," starring Ursula Andress and Peter Cushing. 4.20 Little House on the Prairie. 5.15 Father Dear Father. 6.00 Westward Diary. 6.35 Crossroads. 7.00 The Television Programme. 7.30 Mork and Mindy. 10.32 Westward Late News. 10.36 Brass In Concert. 11.20 The Questors. 11.50 Faith For Life. 11.55 West Country Weather and Shipping Forecast.

YORKSHIRE

1.20 pm Calendar News. 2.25 Thursday Matinee: "The Bushbaby." 4.20 Jason of Star Command. 4.45 Sierra. 6.00 Calendar (Emley Moor and Belmont editions). 6.35 Crossroads. 7.00 The Incredible Hulk. 10.30 Calendar Carousel: "With Dickens in Yorkshire." 11.00 The Questors. 11.30 A New Kind of Family.

(S) Stereophonic broadcast
‡ Medium wave

RADIO 1

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Peter Powell. 7.00 Wheels with Dave Lee Travis. 8.00 Richard Skinner. 10.00-12.00 John Peel (S).

VHF Radios 1 and 2—5.00 am With Radio 2. 2.00 pm The Ed Stewart Show (S). 4.00 *David Hamilton (S)*. 5.45 News; Sport. 6.00 David Symonds with Much More Music (S). 8.00 With Radio 2. 10.00 With Radio 1. 12.00-5.00 am With Radio 2.

RADIO 2

5.00 am Ray Moore (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 John Dunn (S). 2.00 Wimbledon Championships. 7.00 David Symonds with Much More Music (S) (joins VHF). 8.00 Country Club (S). 9.00 Alan Dell (S). 9.55 Sports Desk. 10.00 *The Impressionists*. *10.30 Star Sound Extra*. 11.00 Peter Clayton with Round Midnight. 1.00 am Truckers' Hour (S). 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composer: Donizetti (S). 10.00 Violin and Piano recital (S). 10.45 Interlude. 11.15 Cricket: Second Test—England v Australia, including 1.35 pm News. 1.40 The Great Match: Lord's 1956. 2.00 Lunchtime Scoreboard. 6.40 Mainly For Pleasure (S) (joins VHF). 7.00 *The Vision of Piers Plowman*, by William Langland (part 1) (S). 7.30 Walter by C. P. Taylor (S). 9.15 Martinu's Fourth Symphony (S). 9.50 Words. 9.55 Mozart Concert (S). 11.00 News. 11.05-11.15 Cry by Giles Swayne (S).

VHF—With Medium Wave above except as follows: 10.45 am Saint Peter and Lord Petre (S). 11.30 Royal Liverpool Philharmonic Orchestra (S). 1.00 pm News. 1.05 Manchester Summer Recital (S). 2.00 Monteverdi Vespers (S). 3.45 Beethoven and *Chopin (S)*. *4.55 News*. *5.00 Mainly* For Pleasure (S).

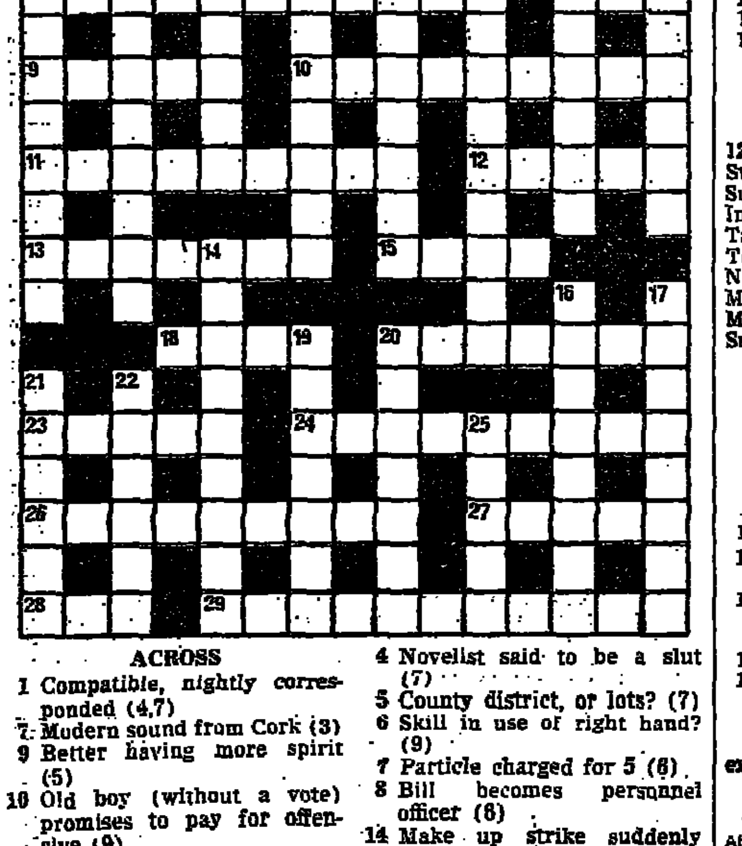
RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today, including 6.45 Prayer for the Day; 7.00, 8.00 Today's News; 7.30, 8.30 News Headlines; 7.45 Thought for the Day. 8.35 Yesterday in Parliament. *9.00 News*. *9.05 Fat, Man, Out (S)*. 9.30 The Living World. 10.00 News. 10.02 Policing the '80s. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 *Analysis*. 11.50 Enquire Within. 12.00 News. 12.02 pm You and Yours. 12.27 Brain of Britain 1981 (S). 12.55 Weather; programme news. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre (S). 4.00 What the Foreigner Saw. 4.15 The *Bookshelf Quiz*. 4.45 Story Time. 5.00 PM: News magazine. 5.50 Shipping Forecast. 5.55 Weather; programme news. 6.00 News, including Financial Report. 6.30 Any Answers? 6.55 It's a Bargain. 7.00 News. 7.05 The Archers. 7.20 Time For Verse. 7.30 By Open Outcry. The commodity futures market: Judy Hillman talks to some traders about the prices they pay for our cups of coffee. 8.00 Brahms: A German Requiem (S). 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 11.00 A Book at Bedtime. *11.15 The Financial World Tonight*. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 Morning Star. 10.03 *The Spike Milligan Telephone Programme*. 12.30 pm London News Desk. 12.40 The Total Music Show. 2.30 Tony Blackburn. 5.00 News. 5.15 Music On The *Move*. 6.33 Openings. 7.03 Black Londoners. 8.00 As Radio 1. 10.00 Question Time from The House of Commons. 11.00-5.00 am Join Radio 2.

F.T. CROSSWORD PUZZLE No. 4,609



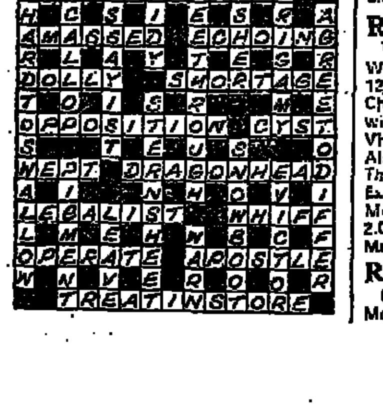
ACROSS

1 Compatible, nightly corresponded (4,7)
7 Modern sound from Cork (3)
9 Better having more spirit (5)
10 Old boy (without a vote) promises to pay for offensive (9)
11 Alien embraces student killer (9)
12 All right to enter day before call up (5)
13 Illumination for one going round the bend (3,4)
15 Small Welsh boy's platform (4)
18 Party beheaded female actor (4)
20 Weep on breaking last glass (7)
23 Might hear state of America (5)
24 Close show giving visionary trouble (4,5)
26 Domestic store not yet full apparently (5,4)
27 Warning to the French marine (5)
28 Government department rabbit (3)
29 Public society person raising game of champion (5-6)

DOWN

1 Fights employers v workers on pay (5,3)
2 Tree takes strain in Ireland (8)
3 Heard additional information concerning stupid person (5)
4 Novelist said to be a slut (7)
5 County district, or lots? (7)
6 Skill in use of right hand? (9)
7 Particle charged for 5 (6)
8 Bill becomes personnel officer (6)
14 Make up strike suddenly (2,3,4)
16 Men only point to worker still (8)
17 Practised hand getting on to watchman (3,5)
19 Private sounds full of spite (7)
20 Delighted to see cheer leader injured (7)
21 One girl in nine daughter diverted (6)
22 Guess it's delightful (6)
25 A pet's disturbed by flood (5)

SOLUTION TO PUZZLE No. 4,608



ENTERTAINMENT GUIDE

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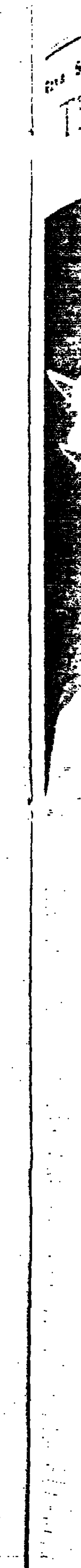


THE ARTS

Royal Shakespeare Theatre

The Winter's Tale

by MICHAEL COVENEY

Gemma Jones — Leonard Burt

Grim evenings do not come much grimmer than Ronald Eyre's soulless Royal Shakespeare Company revival of this wonderful play in the Stratford main house. The healing drama of reconciliation across the generation gap after Leontes has shaken off his family in the throes of a gnawing jealousy is done as a sombre chamber play staged on a floor of brown tiles surrounded by a featureless brown design by Chris Dyer.

It is all like watching an undeveloped photographic negative, with actors failing to populate the stage in costumes of unprecedented dullness. The company opens with an exhibitionist masque including the Bohemian rustics, the bear, the figure of old Father Time and a pregnant Hermione. This gives way to a stiff representation of domestic harmony, Leontes tossing a ball between his son, Mamilius, and the visiting king Polixenes.

The jealous infection of Leontes' brain is signalled by a clumsy lighting change and Patrick Stewart shivering in the grip of the unexplained disease. The play's progress through a series of costume changes is obviously underlined by a row of tailors' dummies standing upstage. The whispered exchanges of the court can only be explained by the fact that no one, apart from Patrick Stewart, dares raise his voice. Tension just does not come into it.

The arrival of the oracle is accompanied by an inaudible anthem (music by Stephen Oliver) that is another symptom of the show's technical sloppiness. Only Sheila Hancock's cleverly observed Paulina, pulling rank with her mistress's prison officers and hinting at Racinian depths with her report of the Queen's death, emerges with any credit from this second-rate morass. Even the trial of Hermione, where the whole point is that Leontes gives his dementia a horribly public free rein, is staged for the benefit of two anonymous sentries.

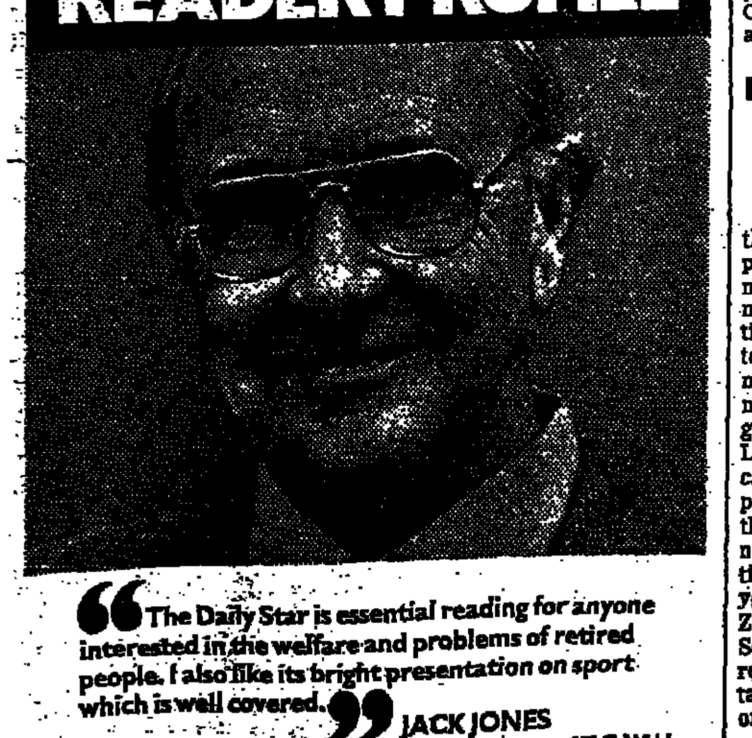
Bohemia is as ghastly a place as Sicily, even without the wild animals. Robert Eddison trundles musically on to the shore with the banished infant and is picked out in a crude cross-light before rewriting that famous stage direction: the silly old bear is pursued by exit. The Shepherds are hopefully interpreted by John Rogan and Gerard Murphy as a bog Irish double act, but even this embarrassment is nothing alongside Geoffrey Hutchings' unspeakably tedious Autolycus, a purveyor of light operatic highlights and Victorian parlour songs flailing around as a silent-movie tramp with a desperately pronounced Cockney accent.

There is no crucial contrast between the two communities. In fact, Perdita and Florizel, priggishly played by Leonie Mellinger and Peter Chelson, are not so much harbingers of a Brave New World as disposable flotsam of the old one.

It strikes me that the entire production, lacking urgency and spirit, is a dejected filler before the real business of the season gets under way. The usually magical re-awakening of Hermione is competently done by Gemma Jones, but I can think of no earthly reason why this statuesque madonna should want to come back.

'Lyrics of the Hearthside'

Lyrics of the Hearthside, a one man show by Joseph Mydell, has opened at the Arts Theatre for a four week season. Mr Rydell recreates the life and times of the black poet Paul Laurence Dunbar through his poems and letters. The entertainment was favourably received at the Edinburgh Festival.



Record Review

The breadth of Bartok

by RICHARD JOSEPH

Bartok: The Six String Quartets. Tokyo Quartet. (3 discs.) Deutsche Grammophon 2740 235

Bartok: Orchestral Works. Geza Anda (piano), Tibor Varga (violin), RIAS Symphony and Berlin Philharmonic/Ferenc Fricsay. (5 discs.) Deutsche Grammophon 2740 233

Bartok: Second and Third Piano Concertos. Vladimir Ashkenazy (piano), London Philharmonic/Sir Georg Solti. Decca SXL6937

Bartok: The Miraculous Mandarin, Two Portraits. Vienna Philharmonic / Christoph von Dohnanyi. Decca SXL6882

Unlike many of his contemporaries (Hindemith and Milhaud, for example) Bartok's music has been consistently appreciated and performed since the time of his death. So the current centennial of his birth provides no opportunities for rediscovery but rather a chance to distil and clarify the composer's goals and achievements.

The six String Quartets have achieved the status of classics. They are in just about every aspiring ensemble's repertoire and even as concise and dissonant a work as the Third was recognised as a fine piece the year after its composition, when it was awarded the 1928 Philidelphia Music Fund prize for chamber music.

The Tokyo String Quartet's new recording of this cycle has been justly praised. It is thoroughly prepared, well tuned and closely, excitingly recorded. The players are young; this music cannot have ever been "contemporary" for them, as it undoubtedly was for the Hungarian, Vegh and Julliard Quartets, groups that have produced the most notable previous recordings. This gives the Tokyo readings a sense of stability that is very likeable. Listeners coming fresh to this music will find these performances a reliable guide.

But the Tokyo's fluency is achieved at the expense of fantasy. In the Third Quartet, the leader plays all the sul ponticello notes correctly, but the less kempt Sandor Vegh makes the sounds marvellously expressive and right. The Tokyo intelligently mark this work's subsections, yet the rhapsodic continuity achieved by the Hungarian Quartet is more compelling.

These details are a matter of personal preference and, perhaps, familiarity with the older recordings. But a major aesthetic flaw emerges when the six performances are compared to each other. Bartok's Quartets span 30 years of his creative life, yet the Tokyo play them all with the same stylistic address. The impressionism of the First and the exploratory classicism of the Sixth receive the same intensity of tone and attack as the violent, expressionistic Third. Not a good idea—no ensemble would consider playing all the Beethoven Quartets with the same weight of vibrato and dynamic scale through. Despite their impressive technical achievements, an idiomatic knowledge of Bartok's compositional development is an important criteria absent from the Tokyo's performances.

Deutsche Grammophon's other commemorative issue (not released domestically, but widely available as an import) collects Ferenc Fricsay's recordings of most of Bartok's orchestral—as opposed to stage—music. It is an altogether more authentic and rewarding proposition. Fricsay was one of the remarkable generation of Hungarian musicians (which included Solti, Dorati, Vegh and Ferencik) who studied under Bartok, Kodaly and Leo Weiner at the Budapest Conservatory. He was based in Berlin for the majority of the 14 years before his early death in 1963, and these recordings were taped during the 50s with the RIAS (Radio Berlin) Symphony, of which Fricsay was principal conductor, and, for the Second Violin Concerto, the Berlin Philharmonic.

Two discs, of the Piano Concertos and Rhapsody played by Geza Anda, have been available for some time. The other three were recorded earlier, in mono; since the acoustic is transparent, well perspectived, believable, I don't find this an obstacle.

Fricsay's way with Bartok is rhythmically correct — alert to the natural idiomatic inflections of the music, but not hysterically so—and lyrically conceived. The sound he gets from his Berlin ensembles is neither lush nor brutally sharp, and the nervous classicism that results has strong parallels with Bartok's own style as a pianist. Partially because of the recording and partially out of this sense of proportion, the colours of the composer's orchestra are cleanly, truthfully realised, without the bright lighting of more recent and more virtuosic recordings.

The works that benefit most from this treatment are the Music for Strings, Percussion and Celeste, which emerges as a composition rather than a parade of clever effects; the Divertimento, which sounds just like its title; and the Second Violin Concerto. This is a remarkably fine performance, with Fricsay providing an organic sense of growth through Bartok's long chain of developing variations, and Tibor Varga delivering the solo part with a fine blend of Eastern European vibrato and incisive bowing. A recent French RCA recording by Nell Gotkovsky and Charles Gerhardt, comes close to equalling this achievement, but unfortunately, RCA have no plans to make it available here.

The Fricsay/Anda recordings of the Piano Concertos have, in the past, seemed more like a collection of negative virtues than positive decisions, but hearing the recent recording of the Second Piano Concerto made by Ashkenazy and Solti changes this perspective. On this clearly recorded Decca issue, the first movement becomes an undifferentiated scramble. Pointing of rhythm and phrase is impossible at the speed these artists adopt. The orchestral liabilities that result include poor co-ordination between trombones and horns and a general lack of timbral and tonal definition among the woodwind, who just about have enough time to peck out their notes.

Ashkenazy can get around his part at this pace, again demonstrating that superior pianism does not always result in musical insight. By way of compensation, the second movement is taken substantially slower than Bartok's tempo indications. It's a ponderous, melodramatic reading that often loses the thread of the musical argument. Comparison to Anda and Fricsay's reading is salutary. They may be operating at a lower level of intensity, but all the music — the thematic interrelationships, dynamics and articulations — is there.

Because it is a work that fits comfortably into traditional interpretive gestures, Ashkenazy and Solti fare much better with the Third Concerto. Their touch is lighter and more "stylish" and since the musical argument is less complex, there are fewer pitfalls.

Decca scores another educative near-miss with their release of the complete Miraculous Mandarin ballet, conducted by Christoph von Dohnanyi. All this conductor's efforts to obtain sharp articulation from the avuncular Vienna Philharmonic are negated by a muffled, wrapped-in-cotton-wool acoustic. In his attempts to express the violence of the score, Dohnanyi makes the mistake of emphasising the heavy, bass end of the orchestra. Tuba, tympani and organ pedals all roar away, obliterating the livelier and really quite valuable contributions of the instruments within their sonic vicinity.

The disc is filled out with a correct but stiff and unyielding performance of Bartok's Two Portraits. Dohnanyi's violin soloist in the first piece, Erich Binder, hasn't the rich, juicy ton this romantic work requires. Fricsay's uncredited soloist on the DG compendium isn't much better but is at least presented within a more flexible and beautiful context. The most persuasive reading of this music can be found on the Gotkovsky disc referred to earlier, where the first movement of Two Portraits turns up in its other guise as the opening of the First Violin Concerto.

This view from Holborn Viaduct looking towards the City in 1871, by Thomas Shotter Boys, is one of 135 views of London between 1750 and 1900 now on display at the Museum of London until September 13. All are watercolours and are drawn from the collections of the Museum and the Guildhall.

London was the natural fountain head for the development of the watercolour. Leading practitioners, like Blake, Cozens, Girtin, Lear, Palmer, and Turner, were born there; the institutions, like the Royal Academy, and many rich patrons were based there; and the leading artists' colourmen were developing new techniques there. Hence the richness of the current exhibition.

Apart from straightforward topographical viws there are sections devoted to urban satire, with many Rowlandson works; to the romantics; to the suburbs; and to later topographers like the Shepherds, who catered for the expanding demand for prints of the capital's leading landmarks.

The show has a double attraction: the excellence of much of the work and the historical interest in seeing how the city has changed. Here are views of the Palace of Westminster before it was destroyed by fire; of Old London Bridge; of the country opening up to the west of the Bayswater Turnpike; of the rural isolation of Hampstead and Highgate. A surprise is to see just how bucolic London was in the 18th and early 19th centuries.

Among particularly intriguing water colours are "The Alhambra" in Leicester Square, a flamboyant building of 1855 which was destroyed in the 1930s, and King's Cross, a magnificent monument which fell victim to early Victorian taste and was cleared away just 15 years after it was built, although it left its name to a district. The profligacy with which buildings were pulled down make the vandals of the 1950s and '60s seem quite civilised.

A.T.

Riverside Studios

Hungarian Festival

From Tuesday to Saturday this week, Riverside Studios are presenting a mini-festival of new Hungarian music in Hammersmith. I have written many times on this page, after visits to Budapest, of the remarkable number of brilliant young musicians of world class who graduate each year from the Liszt Academy in that city—capital of a nation whose total population is barely larger than that of Greater London. The names of a few will be relatively familiar, especially the young pianists Decso Ranki, Zolton Kocsis and Andras Schiff; but many of the most remarkable and fascinating talents have appeared abroad only rarely, or not at all.

All praise therefore to Riverside for organising this glimpse, much overdue, of Hungarian new-musical activity—the first of its kind ever to be presented in England. The programme is well chosen: on Friday, not on any account to be missed, is a recital by the extraordinary cimbalom-player Marta Fabian; on Saturday a programme of solo flute music by the flautist Istvan Matuz; on Thursday the British debut of the much-praised young pianist Erika Lux; and last night another debut also, of the enterprising composer-performer ensemble that carries the banner of the Hungarian avant garde, the New Music Studio of Budapest.

No praise at all, however, for the hideously loud and distracting buzz from what seemed to be a faulty light-rack somewhere in the roof of Riverside's Studio 2 on Tuesday, which all but ruined the first concert of the series given by the Eder String Quartet (whose first European triumph at Evian was reported by Max Loppert on this page five years ago). They never showed in their performances of Haydn, György Kurtag and Bartok quite the same astonishing command and finesse as their still younger compatriots the Takacs-Nagy Quartet (whose British debut Riverside presented last year); nor did they engage us with anything like the same fiery intensity.

DOMINIC GILL

Sponsorship

Going Well

On Tuesday night at the Henry Wood Hall in London, Ursula Leveaux, a 19-year-old bassoon student at the Guildhall School, became the fifth annual winner of the Shell-LSO Music scholarship. This is the major industrially-sponsored prize for young musicians, worth £3,000 to the winner, who will spend the money to help in her musical career, either by buying extra tuition, or a new instrument or, as in the case of a previous winner, a van to transport his timpani around.

For both Shell and the LSO the mutual benefits of the event are far greater than finding one promising young musician. All told, the company invests £100,000 in the enterprise, its biggest arts sponsorship, with £40,000 going towards the organisation of the competition and prize money, and £60,000 for a provincial tour by the LSO which enables regional winners to receive the acclaim of local crowds.

But the real benefits of the co-operation go deeper. LSO principals act as judges so every year they get the chance to hear some of the most promising musicians in the country. Contracts are made and the future progress of young players, even when they fail to reach the finals, is closely watched.

A different family of instruments is tested each year and since the first competition—for woodwinds in 1977—the development of the winners has been impressive. The first success, the oboeist Julia Girdwood, has played at the Wigmore Hall, with the LSO, is a member of the European Community Youth Orchestra and has just won a further £2,500 in Capital Radio's competition for young musicians. The 1978 winner Galina Stamenova, a violinist, was last week a soloist in a BBC recital. Nigel Thomas, the timpani and percussion victor of last year, has toured with the LPO and could soon join that orchestra.

ANTONY THORNCROFT

Ludlow Festival

As You Like It

by B. A. YOUNG

In the ruined walls of Ludlow Castle, As You Like It is so pretty, and the surroundings so attractive, that the play's shortcomings may be dealt with leniently. Ray Lett's setting stands against a high stone wall with crenellations along the top and the remains of Gothic doors punctuating the fabric. On a bright green lawn—artificial, alas—stands a tall pavilion with a domed roof supported on slender pillars. When the action moves from Duke Frederick's court to the Forest of Arden, the pavilion turns around to show its reverse, covered with foliage, and the sculptures on either side disappear.

The first of the shortcomings in David Kelsey's production is the decision to dress it in Edwardian kit, but it is not a serious shortcoming, for Day Murch's costumes, at any rate for the girls, are charming. All the same, who can believe in these chaps in the forest with their old jackets on? Well, the truth is, if you can believe in the plot of As You Like It; you can believe anything. Why Jacques (intelligently played by Nicholas Smith) should look like a deserter from the Red Army, I don't know, but the whole thing is a fantasy. Touchstone, who is none other than Charlie Drake, seems to have come straight from Newmarket in his check coat and grey bowler; he is neither courtly nor a court jester, but he is very funny and that's enough.

The evening is devoted mainly to plain, visible comedy, and romance is in rather short supply. Brian Deacon is a handsome Orlando, and he seems uncommonly well dressed at the beginning in his tweed three-piece suit when he claims to have been brought up like a peasant. (He takes a chang clothes with him into the fo wise man, but he keeps his well pressed for his weddi Rosalind is Nyree Dawn Po equally pretty as boy or But their business is pla more for laughs than romance. There is no hint there so effectively was at Olivier, that when Rosalind no word to throw at a dog, is desperately miserable. one really serious mistake the treatment of the passage Phebe, Silvius, Orlando Rosalind about the nature love, which is taken in shou and laughter that conceals exquisite poetry.

Mandy Jenner as Celia is tent to play second string Miss Porter; Felicity Jane G son's Phebe, with her v minous petticoats, comes gerously near being an ac able bride for Orlando.

Some of the verbal con is omitted, Touchstone's about the seventh cause, example. There are s tangible misaccentuations and there—a pause betw "forever" and "a day" instance.

The wrestling is replaced swordplay, easier to follow f the back seats, but Orland allowed a bout with his e brother in the first scene. songs are sometimes set fo number of concerted voices Martin Waddington, and look as well as they sound.

The play is only one item full programme of Fest events, including a piece al Mary Webb, Shropshire's o literary offspring, with Mir Margolyes. A phenome unique in my festival exp ence is an excellent restaur the Penny Anthony, which ta bookings up to midnight.

UK ECONOMIC INDICATOR

ECONOMIC ACTIVITY—Indices of industrial production, ma facturing output (1975=100); engineering orders (1975=10 retail sales volume (1976=100), retail sales value (1976=10 registered unemployment (excluding school leavers) unfilled vacancies (000s). All seasonally adjusted.

	Indl. prod.	Mfg. output	Eng. order	Retail vol.	Retail value*	Unemployed
1980						
1st qtr.	109.8	100.2	100	110.2	158.6	1,379
2nd qtr.	106.4	96.8	98	109.2	164.3	1,498
3rd qtr.	103.2	93.2	84	108.9	170.3	1,699
4th qtr.	100.3	89.1	79	109.0	205.2	2,020
Oct	100.9	90.2	75	109.7	179.1	1,893
Nov	100.3	89.1	82	109.2	192.8	2,030
Dec	99.7	88.0	79	108.4	236.0	2,137
1981						
1st qtr.	98.6	87.7	98	112.7	174.4	2,304
Jan	98.2	87.4	91	114.0	177.6	2,228
Feb	98.9	88.1	93	112.9	170.1	2,304
March	98.8	87.5	110	111.5	175.4	2,381
April	98.6	88.2		111.4	181.6	2,452
May				111.0		2,515
June						2,553

OUTPUT—By market sector; consumer goods, investment goo intermediate goods (materials and fuels); engineering outp metal manufacture, textiles, leather and clothing (1975=10 housing starts (000s, monthly average).

	Consumer goods	Invst goods	Intmd. goods	Eng. output	Metal mnfg.	Textile etc.
1980						
1st qtr.	104.5	101.3	123.6	99.1	57.3	92.2
2nd qtr.	98.0	96.4	123.2	93.2	94.2	85.6
3rd qtr.	97.0	94.9	117.3	91.1	76.6	82.3
4th qtr.	93.7	90.0	116.8	85.3	70.6	77.2
Oct	95.0	92.0	117.0	87.0	69.0	77.0
Nov	93.0	90.0	117.0	85.0	73.0	78.0
Dec	93.0	89.0	117.0	84.0	70.0	76.0
1981						
1st qtr.	93.1	86.1	117.2	82.1	76.1	77.3
Feb	94.0	86.0	118.0	82.0	77.0	78.0
March	93.0	86.0	118.0	82.0	78.0	78.0
April	93.0	86.0	119.0	83.0	84.0	76.0

EXTERNAL TRADE—Indices of export and import volu (1975=100); visible balance; current balance (£m); oil balan (£m); terms of trade (1975=100); exchange reserves.

	Export volume	Import volume	Visible balance	Current balance	Oil balance	Terms trade
1980						
1st qtr.	133.0	126.9	−388	+ 54	− 95	101.0
2nd qtr.	126.2	126.2	−320	− 88	− 11	103.4
3rd qtr.	125.1	118.7	+616	+870	−157	105.5
4th qtr.	126.5	111.8	+1,269	+1,885	+222	105.6
Sept	121.9	114.8	+344	+429	+ 39	105.3
Oct	124.5	106.2	+506	+711	+133	105.3
Nov	129.4	114.6	+410	+615	+ 54	105.6
Dec	125.7	114.5	+353	+559	+ 35	105.1
1981						
1st qtr.						
Jan	123.9	101.3	+742	+1,043	+210	106.4
Feb	121.7	114.3	+314	+614	+231	105.1
March						
April						
May						

FINANCIAL—Money supply M1 and sterling M3, bank advanc in sterling to the private sector (three months' growth at annu rate); domestic credit expansion (£m); building societies' n inflow; HP, new credit; all seasonally adjusted. Minimu lending rate (end period).

	M1 %	M3 %	Bank advances %	DCE £m	BS inflow	HP lending
1980						
1st qtr.	− 4.0	7.2	21.9	+1,725	634	2,049
2nd qtr.	− 1.5	10.7	23.3	+3,472	697	1,964
3rd qtr.	11.8	36.1	45.2	+6,336	1,090	1,933
4th qtr.	8.8	20.1	11.2	+3,327	1,253	1,793
Nov	6.2	17.7	7.7	+ 971	285	559
Dec	16.1	20.9	7.0	+ 924	448	605
1981						
1st qtr.	6.4	8.6	12.4	+1,343	1,081	1,884
Jan	5.8	11.7	10.1	+ 345	446	620
Feb	13.1	7.8	12.9	+ 123	366	638
March	0.8	6.4	14.3	+ 875	269	626
April	25.3	13.4	3.9	+1,974	296	657
May	21.7	18.9	7.0	+1,064	436	
June						

INFLATION—Indices of earnings (Jan 1976=100): bas materials and fuels, wholesale prices of manufactured produc (1975=100); retail prices and food prices (1974=100); F commodity index (July 1952=100); trade weighted value sterling (1975=100).

	Earnings*	Basic matls.*	Whsale mnfg.*	RPI*	Foods*	FT* comdty.
1980						
1st qtr.	167.7	197.2	191.4	248.8	247.5	284.47
2nd qtr.	178.9	201.3	199.0	263.2	255.9	267.45
3rd qtr.	188.4	201.9	203.6	268.9	259.3	275.13
4th qtr.	193.3	203.3	206.1	273.9	260.7	269.25
Nov	192.6	203.4	206.2	274.1	260.0	270.56
Dec	197.3	205.1	208.7	275.6	262.7	262.53
1981						
1st qtr.	195.3	213.8	212.2	280.4	268.7	257.79
Jan	193.3	209.7	209.9	277.3	266.7	251.88
Feb	194.8	214.0	212.0	279.8	268.9	259.93
March	197.8	217.8	214.7	284.0	270.6	261.56
April	199.5	221.2	217.8	292.2	274.2	258.61
May		226.0	219.0	294.1	276.7	255.14
June						245.07

* Not seasonally adjusted

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No mandate in Israel

THE TENTH and most turbulent Israeli General Election has witnessed a recovery by the Labour Party almost as remarkable as the deterioration in its fortunes in the spring. Having appeared set in January on an overwhelming victory, the opposition looked a month ago as if it were facing a humiliating defeat, not least because of a lack-lustre performance by Mr Shimon Peres, its leader; he seemed incapable of capitalising on the failure of Mr Menahem Begin's Likud-dominated coalition to cure the country's endemic economic and social ills. In the event Labour has almost certainly gained one more seat or at least parity with the Likud in the Knesset.

Labour gains

It still seems probable that it will be Mr Begin who forms a Government in the next month or two. Likud is in a much better position to command a working majority in the parliament brough is alliance with three religious parties. They have all expressed a clear preference for throwing their weight behind Likud rather than Labour. Overall the election can be seen as a consolidation of the position gained by the Right in 1977 following 29 years of Labour predominance. Labour's gains have been made mainly at the expense of the small Left-wing and centrist factions.

Mr Peres' reconciliation with Mr Yitzhak Rabin, the former Premier, and his surprisingly good showing in last week's TV debate with Mr Begin were factors behind Labour's late surge. The election results also suggests that one-fifth of the electorate who remained undecided until the last moment had deep misgivings about Mr Begin's truculent style of leadership. The upshot is that Mr Begin has fallen far short of obtaining an unqualified mandate for the prickly nationalism he has resorted to in recent months.

Efforts

Now that this long-awaited poll is behind us it is imperative for President Ronald Reagan's Administration to resume American efforts to bring about a comprehensive settlement in the Middle East, including some adequate solution of the Palestinian problem, and for the European Community to decide what role it can play in this process.

Mr Begin is on record as saying that if the Arab inhabitants of the West Bank and Gaza Strip "want to live in peace they can live under our sovereignty." His view is that the territories constitute an integral part of Israel. His conviction does not at first sight, augur well for a continuation of the autonomy talks, which have been in abeyance now for a year, over the future of the West Bank and Gaza Strip.

The Labour Party is prepared to make territorial concessions for peace but rules out the establishment of any Palestinian state west of the River Jordan. Moreover, it will only contemplate any Palestinian entity within the context of a federal arrangement with Jordan. Although Labour is more flexible, it is hard to escape the conclusion that it may make no difference, on this most crucial issue, which party emerges heading the next coalition Government as far as satisfaction of Palestinian aspirations is concerned.

Yet one should not forget that it was Mr Begin who, with President Carter's encouragement, undertook the most far-sighted act of diplomacy in Israel's post-war history, when he signed a peace treaty with Egypt at the cost of the Israeli occupied territories in Sinai. Given strong and continuous pressure from Israel's American ally, it may just be that it is the nationalistic Mr Begin rather than the more conciliatory Mr Peres, who is best able to swing his country behind the sacrifices needed for a lasting solution to the Palestinian issue.

Indecision

While Mr Begin and his Likud party have emerged as probable winners, this election has produced no answer to the question whether this beleaguered people prefer to exist in defiant isolation of work towards a reconciliation with their Arab neighbours. In this indecision about the right way forward it is the U.S., as always, which has the casting vote.

How to control bureaucracy

CAMPAIGNS conducted by civil servants to improve the efficiency of other civil servants do not usually inspire much public confidence. This is not because civil servants are indifferent to waste or unconscious of the value of public money. On the contrary, cheeseparing is more characteristic of the Civil Service ethos than is profligacy, particularly in small matters. The trouble is that watertight procedures for monitoring expenditures and rooting out any possibility of malfeasance, together with elaborate systems for cross-checking decisions are no substitute for continuous drive for economy and efficiency which is characteristic of well-run organisations in the private sector.

Attitudes

It is not surprising, therefore, that of the two documents relating to Civil Service efficiency published yesterday—a White Paper from the Civil Service Department and an 11-volume Management Information report from Mr Michael Heseltine's Environment Department the latter reflecting attitudes which Mr Heseltine brought with him from the private sector, is much the more impressive. Indeed, the work which the DoE has done at its Minister's instigation, although it is still at an early stage, is an important pointer to how much civil servants can achieve within their own departments given the necessary political leadership and determination.

The value of a programme such as the DoE's Management Information System for Ministers (called Minis for short) must be gauged not just in terms of the financial and manpower savings it produces. The DoE's reduction in manpower over the past two years have been greater than those of the Civil Service as a whole, but not by a spectacular margin. The real benefit of Minis is that it has enabled Ministers and senior civil servants to exercise more refined judgment about where economies should be made. For it is a notorious fact of British public life that Ministers do not in general have any detailed information about the way their policies are implemented or of the administrative costs of implementation.

Without that knowledge decisions to alter expenditure plans are made largely in the dark. Cabinet debates on the relative merits of different departments' programmes tend to be unproductive. Cuts are frequently imposed "across the board" without regard for political priorities and for the public's real requirements. Aiming cuts at areas of unnecessary bureaucracy is practically impossible when detailed information about the functions of departmental divisions and subdivisions is not available on a comparable basis. These factors in turn make the very attempt to cut public expenditure needlessly unpopular and painful.

Just as importantly, the lack of attention to management information and managerial efficiency at the highest Ministerial and official levels, can create a distorted set of values and an inappropriate career structure for civil servants. There is little incentive to search for constant improvements in productivity when promotion in the lower grades is related mainly to seniority. More generally, the policymaking functions tend to carry much more prestige than the managerial ones, even in large departments in which managerial professionalism is of utmost importance. Too often the refinement and elaboration of policies is still done without sufficient regard for the administrative costs entailed.

Functions

Unfortunately the same divergence between the managerial and the policymaking functions is reflected in Ministers' attitudes towards the Civil Service. In principle, there has been much talk from the Government about the need to create new incentives in the Civil Service career structure, to reward efficiency, to penalise incompetence and to improve the monitoring of public spending so that genuine waste can be cut without unnecessarily damaging services. In practice, Ministers have shown little interest in following Mr Heseltine's example and delving into the workings of their departments in sufficient detail to make real progress. It is time for the Prime Minister to demand some hard work in this direction from her civil servants and her Ministers alike.

Hogg's fight for Courtaulds

By David Palmer

IT IS just 21 months since Mr Christopher Hogg took over the reins of Courtaulds, Britain's largest textile company. Two things stood out about Hogg at the time. He was 43 years old, a stripling by the standards of British boardrooms; and he was short of experience in Courtaulds' traditional textile business.

To the company's Northern textile managers Hogg was an outsider, albeit with a pedigree that stretched from Marlborough and Oxford through Harvard Business School and into an 11-year apprenticeship in Courtaulds, nearly half of it on the paint side of the business.

In the course of those 21 months, Courtaulds' UK labour force has been cut by over 35 per cent, to around 65,000. In the year just ended, the company reported an attributable loss of £114m, after writing off £98m on extraordinary items. Shareholders are having to make do with a token 1p a share dividend. And last month's annual report warned gloomily that "there has been no marked uplift in the actual trading results of the UK operations" in the first two months of the new financial year.

Some baptism. But only once in the course of a recent interview did Hogg allow the strains to break surface. "I try to remain reasonably cheerful," he said, "despite the lousy nature of the task

"The business of closing any factory is pretty awful, espcially if you are the man who has to go and talk to the people. You are conscious that you are running down or closing an enterprise, shutting off livelihoods. It's a miserable thing to be involved in."

The company that Hogg inherited in 1979 had been fashioned by the optimism of the 1960s, and by the towering personality of Lord Kearton, its driving force from the late 1950s to 1975, Kearton directed the company from the centre, and thrust Courtaulds outwards from its base as a fibre producer and weaver into a heady series of takeovers.

The takeovers were in two separate directions. On the one hand, they took Courtaulds out of textiles into non-textile areas such as paint, plastics and packaging. On the other, Kearton's company invaded Lancashire and Yorkshire in an attempt to build a vertically integrated Courtaulds—from tree forests in South Africa (Courtaulds textile base has been founded for most of this century on viscose, which is derived from wood pulp rather than from chemicals) through all the stages of textile production to the high street.

But in the years between Kearton's retirement in 1975 and Hogg's taking over in 1979, the optimism of the 60s and early 70s evaporated in the face of the uninterrupted recession in the European textile industry. The last 21 months have seen an even further sharpening of the downturn in UK textiles.

"The thing I was most conscious of," recalls Hogg, "was that the standards of financial performance on the textile side, the actual financial performance, were inadequate to my way of thinking, very inadequate." He moved rapidly along two different but related routes to establish a new identity for Courtaulds.

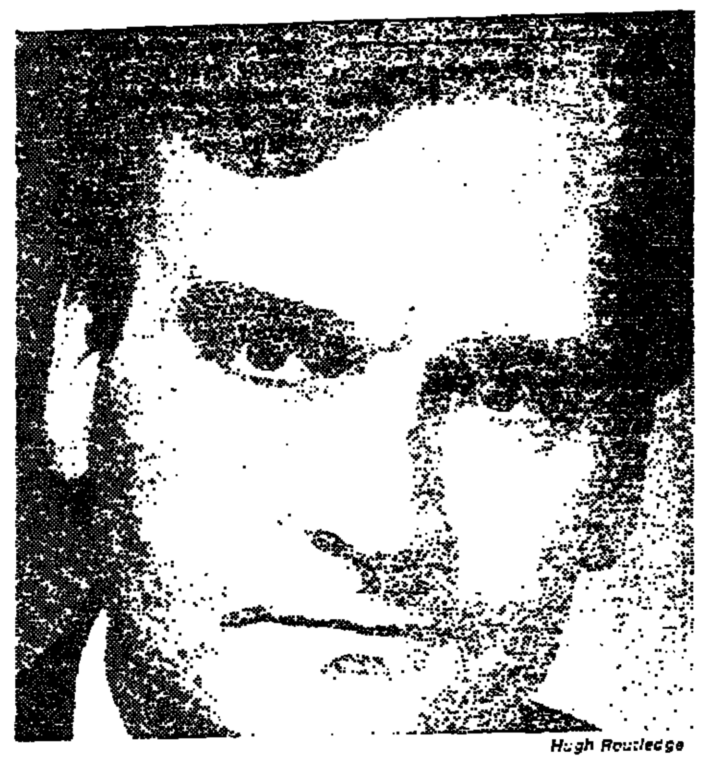
(1) He continued and accelerated the process begun by Sir Arthur Knight, chairman from 1975-1979, of decentralising the management structure of the company, and pushing decision-making down the line.

(2) Using this new structure, Hogg applied a set of rigid financial disciplines and targets.

"I had become very impatient indeed with the persistent refusal of the financial returns to come through," recalls Hogg. "Anything other than bringing the whole business face to face with pure financial standards was simply not on. We just couldn't go on playing with the future."

Within a couple of months of taking over, Hogg had reinforced the independence of Courtaulds' previously established product groups (see table), and set the criteria by which these were to operate, while at the same time devolving more and more of the key decision-making to them. Capital expenditure limits, for local management, for instance, were raised. Head Office staff was cut back. Local management was urged to take decisions, to make its own recommendations on the future of its business.

But this new-found freedom was to be exercised within new and narrowly defined boundaries. "In '80-'81 it was perfectly clear that cash was going to be the name of the game. I established at the start of the year the global cash figure which I felt we should make as a group to cover central expenses, interest, dividends, tax, contingencies and so forth. That worked out at 12 per cent of capital employed. We translated that into specific targets for each product group. Those targets came to be taken very seriously indeed."



Hugh Routledge

Christopher Hogg: "Anything less than 20 per cent return on historic capital employed is not worth shooting for."

The concentration on cash produced some dramatic results last year. Stocks fell by over a fifth, debtors fell and creditors rose, decreasing working capital by £150m. But a different set of standards is being brought to bear on the longer-term decisions. "I've set the basic standard as simple return on capital employed. Anything less than 20 per cent return on historic capital employed is not worth shooting for. You've got to be satisfied that you can make that on average in good years and bad."

Hogg has brought to his job an analytical ability acquired in a long period of business school training (besides the two-year Harvard MBA course, Hogg spent a period at IMEDE at Lausanne and two years in the mid-60s at the Industrial Reorganisation Corporation, the best business school that Britain has ever produced).

Take the decision to stop making nylon. It appears to have been in textbook style. First, the Fibres and Yarns group board alerted the main board to the fact that its nylon business could not operate within its cash constrains. But at board level, a more subjective set of criteria was being applied to such key strategic decisions. "The really decisive criteria was which businesses were going to be internationally competitive over the long haul.

"You've got to be reasonably confident that you can make money against the worst that imports can challenge you with. We found ourselves asking over and over again in relation to every business we've got: What are the economies of scale? What are the things which make it work? Why do we add value? What is the nature of that added value? Can we upgrade it? What's the nature of the competition?"

Courtaulds' nylon business, "built up with much capital expenditure, sweat and blood" failed to pass these tests. Courtaulds was too small an operator (six per cent of the European market, compared with ICI's 29 per cent); the consumer demand for nylon, particularly in areas like shirts and sheets had collapsed some time before, and other markets were being affected by the growth of imports. It was going to require substantial capital expenditure to raise Courtaulds' nylon facilities to international standards. Over six months wrestling with the problem, "it became clearer and clearer that probably the right thing to do was to retreat because we did not stand a good enough chance of being internationally competitive."

So, one Friday afternoon, Courtaulds announced the closure of its two Celon nylon textile yarn plants, with the loss of 1,900 jobs, in the unemployment blackspots of Northern Ireland and Merseyside. A by-product of the decision was that the Flixborough caprolactam plant, rebuilt for £35m after its destruction by fire in 1974, lost one of its two customers, and its future is in doubt.

The man who has done all this looks younger than his 44 years. He is deeply serious—throughout our interview, he never raised his voice nor cracked a joke, though he reacted quite sharply to any hint of criticism, and was visibly hurt at the suggestion that some of his managers thought him to be cold. There is not an ounce of side nor flamboyance about him—in the 1960s, when he was a young banker at Hill Samuel, an FT colleague used to refer to him as "hairshirt Hogg": today, he has decorated his office in the same modestly utilitarian materials as the lobby outside

He is an admirer of Lord Weinstock, whom he watched putting GEC, AEI and English Electric together in his days at the IRC in the mid-60s; and acknowledges a deep debt to Lord Kearton, his chairman both at the IRC and Courtaulds, though both as a manager and as a person, he is as total a contrast to Kearton as you could find.

Can he bring it off at Courtaulds? Has his surgery been deep enough, and if it has, is he the man to build Courtaulds back up again, presumably into the industrial holding company that it is already beginning to resemble?

It is unlikely that we have seen the last of the closures. But it could be that Courtauld's is over the worst. The share price, which bottomed at 49p last winter after the interim dividend was passed, has been hovering in the upper 60s in the last few weeks. The losses and write-offs at the end of May were accompanied by a statement that cash had been pouring into the group, that net debt was down for the year by £70m to £196m, and that the integrity of the balance sheet had been preserved.

Hogg has turned a company round once before at International Paints. His first job at Courtaulds was to rationalise the overseas activities of two paint companies of almost equal size that had been bought by Kearton at 10-year intervals He spent the best part of 18 months living out of a suitcase, travelling round the world, trying to make sense of Courtaulds' paint business.

Today, some 12 years later, International Paint profits have been keeping Courtaulds afloat. The company is 88 per cent owned by Courtaulds, but the value of the publicly quoted shares has risen over the past 10 years at a pace which puts it 28th in the Management Today "growth league." It has 40 factories in 22 countries, a leading position in the marine paint business achieved on the back of a technical breakthrough in underwater paint, a self-polishing antifouling called Intersmooth SPC, and a world-wide sales and servicing network unrivalled in the industry.

Hogg would not be drawn very far on how he sees the future development of either Courtaulds or the paint company. "We just keep quietly expanding the paint company, including the odd acquisition." The future growth of Courtaulds may well follow a similar step-by-step strategy, rather than some grand design for the 1990s.

"We've just emerged from one of the most difficult years that Courtaulds can have had. It takes several years for a large company to turn round and start pointing decisively in a different direction. I'm a lot less worried about the business as a whole than I was 18 months ago, because our exposure is more limited. We've gone through one hell of a test, and have proved so far that we can remain under control.

"More to the point, management is much more coherent about what it is trying to do, about things it should accept and does not accept. Of course, we must have made mistakes, and shall go on making mistakes, but I think we stand a chance of doing some worthwhile things, too."

COURTAULDS AT A GLANCE

Product group	Sales 1980-81 £m	% change	Employees (year end)	Change during year	Trading profit (loss) £m	Capital employed £m	% return on capital employed	Operating† cash flow £m
FIBRES AND YARNS (Rayon, acetate, acrylic polyester, carbon fibre)	695	−19	26,600	− 8,100	1	246	—	28
FABRICS (Woven and knitted fabrics commission dying, printing)	419	−13	16,300	− 5,400	(8)	136	—	33
CONSUMER PRODUCTS (Manufacture and sale of garments, distribution)	362	+ 5	27,200	− 5,300	13	87	15	22
INTERNATIONAL PAINT (Marine protective and industrial coatings, decorative, trade paints)	268	+12	7,600	− 200	22	80	28	18
BRITISH CELLOPHANE (Packaging, industrial films, manufacture of non-woven fabrics)	171	+ 3	5,600	− 1,200	3	55	5	15
NATIONAL PLASTICS (Moulded plastics, aluminium collapsible tubes, Amtico tiles)	39	− 3	2,000	− 300	2	9	20	4
TOTAL* UK sales: £842m UK exports: £414m	1,710	− 6	88,000	−21,000	30‡	575	5	132

* Total includes Courtaulds Engineering and elimination of inter-group sales † Excludes interest, tax, dividends. ‡ Pre-tax profit: £5.1m. Loss after tax and minorities: £16.5m. Loss after extraordinary items: £114m.

MEN AND MATTERS

Tinker to tailor NBC

Thornton Bradshaw, formerly president of Atlantic Richfield and largely responsible for the decision to sell the Observer, has wasted little time in making his presence felt as chairman of RCA.

Even before officially taking over yesterday at what Americans would call "the slumbering communications giant," Bradshaw had dismissed on Tuesday night Fred Silverman, the president of RCA's troubled NBC broadcasting network in the latest act of a long-running soap opera set in the RCA boardroom.

Silverman, once dubbed "the man with the golden gut" in deference to his television programming skills, was originally hired three years ago to do for NBC what he had already done for the network's two bitter rivals, CBS and ABC. Under Silverman, first CBS and then ABC hit the top of the national television ratings league.

But Silverman, appropriately enough the son of a television repairman, failed to haul the ailing network from the third-out-of-three position in the ratings, and Bradshaw, although reputedly a smoother manager than his gruff RCA predecessor Edgar Griffiths, clearly felt uncomfortable with Silverman. "I think he is a very talented man," says Bradshaw of Silverman, "but obviously in the end results are what count. NBC is still number three and we would like to be number one."

Bradshaw's hopes now rest with the new NBC chairman, Grant Tinker. Tinker is well known in the U.S. television industry. He became one of its most successful of independent executives, and with his former actress wife, Mary Tyler Moore, founded a company called MTM Enterprises which has developed into one of Hollywood's leading television studios responsible for several successful prime-time shows, including "Lou Grant."

Tinker has worked at NBC until 1967, before forming MTM in 1970, so he should at least be well versed in the tradition of NBC bureaucratic in-fighting.

"I wish we could do that!"

Eye-opener

Pinkerton's, the U.S. detective agency whose vigilant trademark gave us the term "private eye," yesterday opened its first overseas office in London.

Demands for private security services have been growing just as fast here as anywhere in the world, says Anthony Purbrick, the one-time London policeman who returns from New York to head the operation. He joined Pinkerton's in 1968 and is now director of its international division.

The organisation, founded in 1850 by Scots emigrant Allan Pinkerton, is, of course, part of the fabric of American history. For half a century its agents were the only crime investigation force working across state lines and its exploits against the James boys, the Younger brothers, and Butch Cassidy and the Sundance Kid, have been long and lavishly recorded by Hollywood.

Though this will be the first time the agency has established a permanent base abroad, the Bank of England called on it as long ago as 1870 to solve a £1m robbery. And Winston Churchill brought its agents over in 1911 to help protect the Royal Family during the coronation of George V.

Compared with these assignments, its modern services sound a bit prosaic: factory patrols, crowd control, inventory checks, executive protection. But Purbrick says that it is these services which have ensured Pinkerton's place as the world's largest detective agency.

Card sharpers

The recession, says Diane Smith of the Design Council, seems to be having a stimulating effect on one industry at least—the £225m greetings cards business.

Despite the rising costs of cards and postage, sales stand up well even in hard times—2bn annually, or 36 cards per British person.

Not surprising then, that, according to Smith, hundreds of graphics, textiles and fine art students leaving art school and unable to find jobs have been turning to designing and selling cards. The result is a revolution in style perhops comparable to that initiated by Gordon Fraser—killed this week in a car accident—back in the 1930's or Gallery 5 some 20 years ago.

Design magazine reports today on a host of small but apparently firmly-established newcomers to the business—an avant-garde movement which, says Elwyn Roberts, buying manager for W. H. Smith, is designing brighter, slicker, more humorously subtle cards

Tastes change slowly. More than 20 million people have been sending birthday greetings with Hallmark's pansy-filled wheelbarrows since 1941, but the magazine's survey suggests that the bigger companies will be encouraged ot update their designs by the new generation of artists.

Shop talk

Yesterday brought mixed news from the chairmen of two of Britain's largest reltailers, British Home Stores and J. Sainsbury. Good from Sainsbury, not so good from BHS. But shareholders attending the annual meetings, both at the Connaught Rooms, had, needless to say, their own preoccupations.

A rather disturbing glimpse into the sensitivity which political sectariansim can arouse came from a BHS shareholder, who asked whether the group should not consider dropping the word "British" from its title, lest that carry fascist overtones. Sir Jack Callard listened politely, but reckoned the group could robably afford the risk for the time being.

Sainsbury had a more superstitious qualm to soothe—perhaps unsurprising in view of the venue's proximity to the heart of Freemasonry. The liberal refreshments preceding the meeting were, in one quity-owner's eye, a most upsetting omen. The last two annual meetings at which she had experienced such hospitality, she reported, were those of ICL and Metal Box. The implications for trading, she concluded, were not happy ones.

Addressing down

If proof were needed that, to the publishing gentlemen of Bloomsbury, we journalists are mere distant and grubbish cousins in a hurly-burly corner of the scribling underworld, I was charmed to receive a letter from Faber and Faber addressed to the "Men and Masses" column.

Observer

FINANCIAL TIMES SURVEY

Thursday July 2 1981

Netherlands BANKING, FINANCE AND INVESTMENT

Most sectors of Dutch society—and not least the financial community—would welcome an end to their present economic plight. Bankers and businessmen seem to detect hopeful signs of change, given the growing sense of national resolve.

Mood of guarded optimism

BY CHARLES BATCHELOR, AMSTERDAM CORRESPONDENT

A *MOOD of change—and for* the better — has begun to pervade the Dutch financial community. The seemingly endless debate about the problems which dog the country's economy and the corrective measures which will have to be taken finally seems set to produce results.

Negotiations between the *main political parties to form a* new government may take several months yet but there appears to be a good chance that the coalition which emerges will have a larger majority than its predecessor and be able to govern more effectively.

The *economy is depressed* and most of the usual indicators show little prospect of an upturn until 1982 at the earliest. But bankers and businessmen read in the statistics clear indications of a change—for example in that the country's surprisingly high rate of absenteeism is falling and that staff turnover has slowed.

The signs are still tentative and the optimism remains guarded. The coalition talks, for example, could still produce an ineffective or short-lived Government while the economy is likely to weaken further before starting to recover. Even so, after several years of edging *towards a consensus on the* need to revive the economy, words are now being transformed into deeds.

A revitalising of the Netherlands' industrial structure is essential for the recovery of the country's financial markets. If private capital is to replace State subsidies as the feedstock of business private investors must be offered a good return. Many bankers and economists *now believe there is a real prospect* of this happening.

The consensus, which has been a long time growing, now appears to *include not only the* political parties of the Centre and the Right but a large section of the Labour Party. The trade union federations too support many of the proposals made to boost the economy.

The Dutch are *currently in* an interim between two Governments. *The general election of* May 26 saw the Centre-Right coalition comprising the Liberal and Christian Democrat Parties lose its small overall majority. The Left-of-Centre Democrats 66 Party more than doubled its strength while the Labour Party lost badly. The result was a fine balance *between Left* and Right.

The parties are now trying to put together a coalition comprising Christian Democrats, Labour and Democrats 66. This grouping would have 109 MPs in the 150-seat Lower House. The time taken to put together Governments in the Netherlands has increased markedly *over the past decade or so and* few people hope for a rapid result this time. The outgoing Cabinet, which now is acting on a "caretaker" basis, took a record seven months to form in 1977. Long-drawn-out negotiation would delay effective decision-making.

Two theories are current about the importance of the coalition talks. The politicians, the cynics say, are largely *irrelevant since the Netherlands* has continued to function well *during previous interregnums* thanks to its skilled civil servants. With a man like Dr Jelle Zijlstra at the Central Bank, this argument continues, sound monetary policies are guaranteed.

Convincing

The more convincing counter-*argument is that whatever the* quality of the civil service *political choices must be made.* Dr Zijlstra has been calling for years for sound government financing and a cut in public sector debt. The refusal of the politicians to heed his warnings have landed the country where it is—with large budget and balance of payments deficits.

The remarkable degree of unanimity which exists is reflected in the composition of the "Wagner Commission," popularly named after its chairman, the former president of Royal Dutch Shell. The advisory commission on industrial policy included representatives of the *main unions and Left-wing* economists among its members, *alongside senior managers from* Philips, Unilever, Fokker and a number of other companies.

In its report presented last month the commission urged the next government to create both a social and economic framework favourable to business and to take specific *measures for the "re-industrialisation"* of the Netherlands. *Most of the recommendations—* the switch of resources to the *private from the public sector,* for example, and a reduction of the tax and social security burden on wage earners—are *not new.* But the broad backing these measures now seem to enjoy is, and the business community hopes that a government with a comforatable *majority will be able to push* them through Parliament.

The language of the report is tough. It calls for reduction in the numbers on social *security and for wage restraint.* Annual wage negotiations must be based on the economic situation as it is and not as people would like it to be.

Specifically the Wagner report calls for tax incentives *for providers of venture capital,* an end to support for "lame ducks" and a simplification of the large numbers of aid schemes. Government interference in private industry must be reduced. A new institute, the Company for Industrial projects (MIP), should be *set up alongside the existing* National Investment Bank to provide risk capital on a commercial basis. At least Fl 1bn ($380m) of finance, not necessarily exclusively from the public purse, should be provided in the first three years.

Published around the same time as the Wagner report and reflecting a similar realism was *an inventory of areas where* savings could be made on public spending. Commissioned by the outgoing Government the report is meant to give the next Cabinet a head start in tackling overspending. It details potential savings of up to Fl 24bn ($9bn) a year on welfare programmes, civil servants, salaries and departmental outlays.

The verdict on the outgoing Government is that it did too little too late. This judgment is muted, though, by the realisation that its four-seat majority meant it was always vulnerable to dissent by its own Left wing.

The Government's most signal failure has been the sharp rise *in the budget deficit to an officially* estimated 7 to 8 per cent of national income *this year—* double the level which is acceptable in the long term. The economic recession has cut into tax revenues and at the same time pushed up welfare payments.

Real national income is expected to fall for the second *year running* in 1981. A decline of 1.5 per cent is forecast by *the Central Planning Office,* twice the figure of last year.

One positive outcome of the recession has been a recovery in the country's current account balance of payments position. The Dutch export performance has been weak but the decline in real disposable *incomes has meant there has* been a sharp fall in imports. The current account is now expected to be about in balance in 1981 after showing a deficit of nearly Fl 5bn last year. The latest detailed Central Planning Office forecast still shows an expected surplus of Fl 3bn but *the office has since said the* recent firmness of the dollar has *made this figure unattainable.*

The low rate of inflation remains one of the strong points of the Dutch economy, though a slight increase is expected this year to nearly 7 per cent.

The labour front remains *largely peaceful, though* it is unclear what will happen when wage controls, now in their second year, end in December. The unions have shown exceptional moderation but rocketing unemployment has tested their patience. The average jobless total is expected to be nearly *50 per cent higher this year* than in 1980 at 365,000.

The guilder remains one of the most stable members of the European Monetary System but *this has been bought at the* cost of high interest rates—currently around 11.25 per cent for long-term funds.

Banking economists are hoping for a decline in Dutch interest rates later this year, *though this will depend* very much on developments in the U.S. and West Germany. But a large part of the Government deficit has already been funded on the capital market and the banks, which are flush w
savings deposits, have li
need to make further cap
market borrowings. Confir
tion of the relative liquidity
the market came at the end
last month with the Cent
Bank's decision to suspend
controls on bank lending for
second half of this year.
banks were well under the
per cent growth limit and
curbs had become meaningl

A *slight recovery of*
Dutch economy is forecast
next year, with resumed grow
of national income and a furth
slight improvement in
balance of payments. M
important, bank economi
suggest, is that the politici
have learned a lesson from
first energy crisis. *Most inco*
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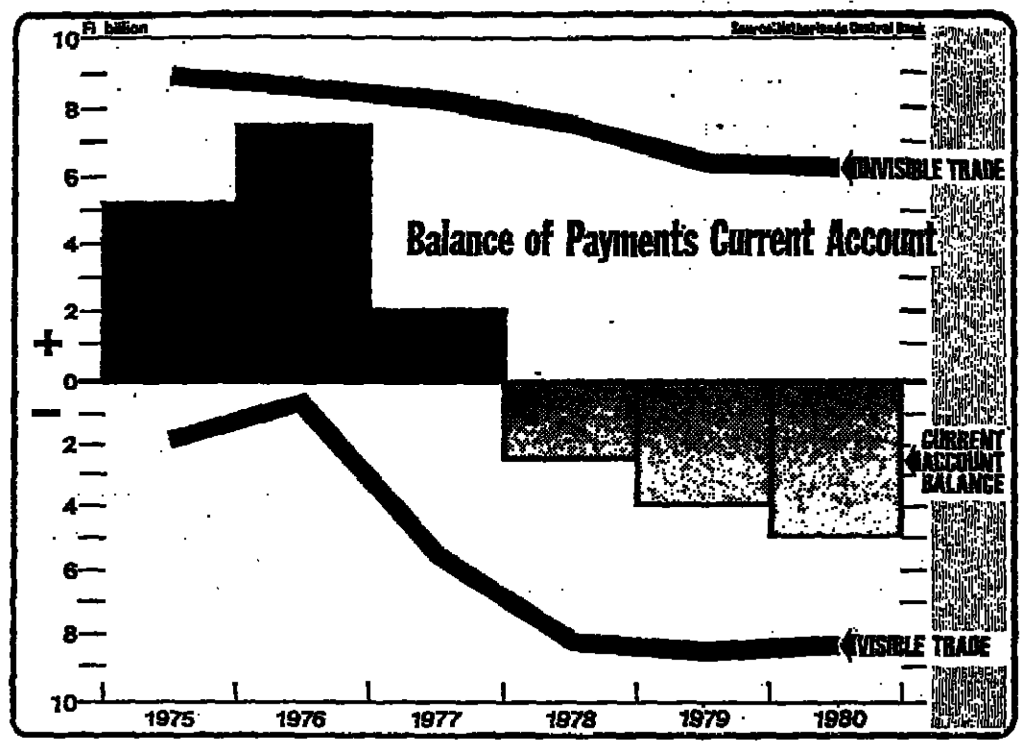
impact of the recession in
mid-1970s by increased Gove
ment outlays. This time
recession has bitten
incomes and a greater sense
realism prevails.



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Spotlight on heavy bad debt provisions

COMMERCIAL BANKS

ADRIAN DICKS

WHEN THE Dutch commercial banks reported their 1980 results earlier this year, they startled the public by saying they were greatly adding to their provisions for general contingencies.

Algemene Bank Nederland, (ABN), the largest, doubled the sum it set aside from Fl 150m (£30m) in 1979 to Fl 300m. Most of its rivals increased theirs by anything between 37 and 50 per cent, with the Nederlandse Crediethank alone in adding no more than 16.2 per cent. Rabobank, the rapidly growing co-operative bank which is now the second biggest in the Netherlands in balance sheet terms, published no separate figure but added nearly 20 per cent to the overall item on its liability side where risk provisions are carried.

None of the Dutch banks is prepared to reveal how far these dramatic increases in provisions for bad debt actually reflect losses on loan business, while figures for accumulated provisions are not published. Yet one need look no further than the troubled property and construction sector, or the well-publicised difficulties of several large Dutch companies such as the Ogem conglomerate to identify some obvious problem areas.

The mortgage business, which with an average annual growth rate of 21 per cent throughout the 1970s had been the banks' fastest growing area of new lending, has slowed painfully. This has left at least one specialist institution, Westland-Utrecht Hypotheekenbank, with its profits halved and its prospects so bleak that it announced a plan last month to reduce staff by 25 per cent. This has since been withdrawn under pressure from the staff unions.

While no other financial institution has suffered from the current recession as badly as WUB. profits of most of the commercial banking sector have been indifferent. Slavenburg's Bank, smallest of the independent Dutch banks — until Credit Lyonnais took a half share in its equity late last year — saw a drop of nearly two-thirds in profits in 1980, partly also as a result of difficulties in the property sector.

Bank Mees and Hope (part of the ABN group) showed a 9.5 per cent drop in profits, while several other banks revealed virtually stagnant earnings. ABN and Nederlandsche Middenstandsbank, each of which managed to raise net profits by about 14 per cent attributed this achievement more to increases in the volume of business than to any increase in basic profitability. Both banks said the greater portion of their profits was earned from foreign business.

For 1981 the banks do not expect their fortunes to pick up faster than the level of activity of the economy as a whole. With inflation widely forecast to remain below 7 per cent this year and to ease further in 1982 — and with real wages likely to decline by 1 per cent to 2 per cent — the Dutch recognise that they are well-placed, by comparison with most of their neighbours, to benefit from the next upswing.

The banks are naturally deeply involved in the national debate (described elsewhere in this survey) over how best to use this relatively sound economic basis to reorient and recapitalise manufacturing industry, and how best to meet the massive financial demands of such an effort. They also seek to ensure that Dutch business does not suffer further deterioration in its relative debt: equity ratio as it seeks the funds it will need.

The Dutch authorities have allowed a small-scale, yet unprecedented, experiment to begin by letting commercial banks subscribe equity capital to new companies and new ventures. But until what some senior bankers describe as the "immoral" fiscal treatment of dividend income from shares, by comparison to interest on bonds, is amended, it seems likely that still higher levels of debt financing will be undertaken to carry out far-reaching changes in manufacturing.

The banks themselves have often chosen in recent years to raise subordinated loan capital rather than equity, though they have also been virtually the only institutions that have carried out successful rights issues in the past two years.

Meanwhile, the banks have already been active in helping business customers restructure their typically heavy short-term borrowings and overdrafts into medium and long-term instruments, and are putting pressure on them to refine their cash management.

In its targets for domestic credit growth this year—the fourth year in succession that they were set — the Dutch Central Bank specifically placed no limits on the expansion of lending over two years' maturity, though by contrast, it sought to hold the net expansion of all short-term monetary assets held by banks to 5 per cent for the large institutions and 6 per cent for the smaller ones. So slack has been the demand for new money in recent months that the Central Bank was able in late June to suspend its controls altogether on the grounds that they had become superfluous. It has deliberately left open the possibility that they might be re-imposed later this year.

It is less than clear, however, whether business is in any mood to take on additional large-scale borrowing. For the time being, the bond markets remain dominated by the fund-raising activities of the Dutch Government and local authorities.

There is heavy pressure on the authorities from the banking community to reduce their financial demands. The traditionally independent Central Bank's outgoing governor, Dr Jelle Zijlstra, publicly warned the Government earlier this year that he might have to consider making the banks' purchases of Treasury securities and bills subject to the ceiling on short-term asset growth.

As a result, the outgoing Government of Mr Dries van Agt accepted borrowing limits for 1981 that would halve last year's total borrowings of Fl 6bn (£1.2bn). Within this figure, the Central Government should actually have scope for increasing its own borrowing from Fl 2bn to Fl 2.5bn, while the local authorities, last year's big spenders at about Fl 4bn, will have to limit themselves to raising only Fl 500m this year.

There is some uncertainty over how far a new Labour-led administration might feel itself bound by these targets. It will be under considerable political pressure to reduce the official deficit from 7.2 per cent of Gross National Product registered in the first quarter, to nearer 4.5 per cent by the middle of the decade.

The traditional policy of keeping the guilder a point or two below the D-Mark, the currency of the Netherlands' principal trade partner, is not likely to change with Dr Zijlstra's retirement. Private bankers, who warmly applaud the Central Bank's policy mix, believe that should dollar interest rates ease a further three or four points, the underlying strength of the Dutch currency could once again lead to substantial foreign currency inflows.

THE DUTCH BANKS

	Balance sheet total (Fl bn) 1980	1979	Net profit (Fl bn) 1980	1979
ABN	108.7	86.7	316.2	278
Rabobank	97.5	86.2	273.2	330.1
Amro	94.2	84.1	276	273
Ned. Middenstandsbank	47.8	40.5	191	167.5
Ned. Credietbank	13.5	11.2	21.7	22.8
Bank Mees and Hope*	12.6	10.4	33.1	36.6
Slavenburg's Bank†	10.7	9.6	12.9	36.4
Pierson, Heldring and Pierson‡	5.2	4.4	17.4	16.8

* ABN owns 100 per cent
† Credit Lyonnais owns 50 per cent
‡ Amro owns 100 per cent

Coming battle will see tough fighting

RETAIL BANKING

ADRIAN DICKS

"THE NETHERLANDS is a well-banked country, but it is not yet over-banked." With that comment Dr J. A. Gons, an economist at Algemene Bank Nederland, sets the scene for what is likely to be the next major domestic development in Dutch banking—a tough fight for retail market shares. Commercial banks, co-operative banks, savings banks, mortgage financing institutions and the financial services of the Post Office are all going to do battle for the favours of some 7m private customers who together already own some 9m accounts.

Two related developments during the 1970s helped to create the conditions for the fierce competition to be expected during the 1980s. The prosperity of the average household continued to rise (though for the next few years it may well increase no further), while the traditional demarcation lines between different types of financial institutions were already starting to be broken down, as their managements began to pursue the new types of business that the growing wealth in private hands was creating.

Between 1970 and 1980 mortgage lending by all financial institutions grew at an average annual rate of 21 per cent, according to figures published by the Dutch central bank. Over the same period the commercial banks more than doubled their share of this rapidly growing market from 12 per cent to 25.6 per cent. The specialised mortgage banks raised their market share by half, from 12.2 per cent to 18.6 per cent, while the postal savings bank began to make its first big inroads into the market, seeing its share increase from 0.3 per cent to 5.5 per cent (and to 9 per cent in the first half of 1981). The savings banks saw their share decline by a quarter from 12.4 per cent to 9.3 per cent, while the main loser was the co-operative sector, whose share fell from 63.1 per cent to 41 per cent.

Similar

For all other types of lending to the private sector, the Central Bank's figures tell a similar story. The commercial banks raised their market share from 64 to 69.3 per cent, the co-operative banks' share remained nearly unchanged, while the savings banks' portion was virtually halved from 9.6 to 5 per cent, and that of the postal savings bank dropped from 7.2 to 4.8 per cent.

The Dutch commercial banks, which are accused by their rivals of having neglected the private customer entirely until the mid-1980s, are naturally keen to hold on to the market share they have gained — and which they have paid for dearly in the shape of a vastly expanded network of branches and a much more generous structure of interest rates for private customers' savings. In order to broaden their appeal, most of them have branched out into consumer finance, securities dealing for private investors, insurance broking and most surprising, package holiday sales, for which the banks are now the biggest outlet.

Several of these activities are plainly loss leaders for some banks, as executives privately admit. Yet the conviction remains strong that the winners in the next few years will be the institutions that can provide the best "one-stop" service for the whole range of the private customer's needs.

In the face of the commercial banks' invasion of business which had traditionally been their preserve, the other financial institutions have long since started to counter-attack. Most spectacularly successful has been the Rabobank, now the country's second biggest, which is confident that it can beat the commercial banks at their own game. With total assets last year of Fl 97.5bn (£19.5m), Rabobank is slightly larger than Amro (Amsterdam-Rotterdam Bank) and within striking distance of the industry leader in size, ABN. The bank is a complex structure, whose foundation is 978 co-operative banks and societies which own its central services and which act as its "branches" throughout the Netherlands.

Originating as rural co-operatives geared mainly to the needs of farmers, the constituent bodies brought together the Rabobank in its present form in 1972. Loans to agricultural borrowers are now only a third of the portfolio, with the remainder divided between mortgage lending and finance for business other than agriculture. The bank prides itself on seeking out new business related to the interests of its co-operative members; these include the hugely successful Dutch agri-business and horticultural sector, with its booming export trade. Earlier this year Rabobank opened a branch in New York, and it is studying the prospects in several European cities; it has had offices in Frankfurt and in Curacao (in the Dutch Antilles) for some years.

According to Mr H. J. A. E. M. Klarenbeek, the executive board member in charge of retail banking, the Rabobank's structure will prove a source of strength as it fights to keep its present market shares in consumer lending, and to carry the battle into the home ground of the commercial banks—lending to small and medium-sized businesses. The Rabobank's 3,000 or so offices, partly because so many are in villages and small towns, give its local staff an unusual degree of personal acquaintance with their customers, which Mr. Klarenbeek believes can be built up to lay the basis of a new kind of relationship based on very close attention.

While the Rabobank is aggressively challenging the commercial banks not only in size but in offering an increasing number of the same financial services, other institutions are also making up for lost ground. The Dutch savings banks, which have lost the most ground, announced a plan last November for the three largest federations of individual banks to merge, although this has yet to be definitely agreed.

A far more immediate challenge to the banks comes from the Dutch Post Office, which in recent years has been bringing closer together its giro payments system and its huge postal savings bank. Legislation was tabled as long ago as 1977 that would turn the two services, already largely merged, into a fully fledged bank. Whether the new Dutch Government proves any more encouraging towards this scheme than was the outgoing, Right-of-Centre administration remains to be seen, yet postal executives and bankers assume that sooner or later a giant "Postbank" will come into being.

Freedom

As it is, a number of important new areas of business were opened up to the postal giro/postal savings bank late last year, and the organisation's commercial director, Dr H. K. Verkooren, plans to take full advantage of them. Most important is the freedom to compete with the banks' interest rate structure offered on time deposits, to stem the steady loss of accounts from postal savings in recent years. After six months market share has already been stabilised and postal executives expect to build it up again.

In addition, the giro/postal savings bank has bought a 30 per cent stake (the largest single one) in the Dutch Eurocard organisation—although it has its own highly developed cash card system, the *betaalkarte*, which customers can use to draw money in 31 European countries, and which has prevented large-scale use of other credit cards in the Netherlands.

The organisation can now offer second mortgages (it had over 9 per cent of the first mortgage market in the first quarter of this year), can handle traveller's cheques and American Express card services at post offices, may deal in retail and wholesale foreign exchange, and may soon win the right to enter the securities broking business on behalf of its customers. The lending limit for private customers has been increased to Fl 25,000, while interest of 1½ per cent is paid on positive balances in postal giro accounts, in line with the commercial banks' policy.

With some 4½m giro accounts the Post Offices services have a base as large as that of the rest of the banking sector combined and have been able automatically to give each account holder a savings account with the same number. The giro system itself, founded in 1918, pre-dates the Dutch banks' giro by many years (though there are plans to integrate the two). Thus the Post Office has enormous experience of payments and transfer systems. It is the most widely used means of paying salaries, with the result that nearly every company has a giro account.

Dr Verkooren intends to build on this a series of new services for small to medium-sized corporate clients.

Government initiatives could lead to better days

STOCK MARKET

CHARLES BATCHELOR

THE AMSTERDAM Stock Exchange, after years of decline, is hoping that efforts to regenerate Dutch industry will also restore its fortunes as a source of capital and a market-place for investors. Some of the exchange's schemes to boost business have already produced results, while work continues on streamlining its operations.

"I do detect signs that the importance of the stock exchange and of the capital market is now given greater recognition," says Baron Boudewijn van Ittersum, chairman designate of the Stock Exchange Association. "I do not want to be over-optimistic but I see *signs of an improvement* in the position of industry."

The trend of recent years has been for the Government to help out industry. Now, however, the encouragement given to the setting up of venture capital companies indicates a greater role for private capital in financing business.

Mergers and company failures have been gradually reducing the number of quoted companies on the Amsterdam Stock Exchange for years. The process has been speeded up by the economic recession. Coupled with a tax system which allows interest payments to be deducted before corporation tax is charged but which does not allow dividend payments to be set against tax, the incentive to seek a stock exchange listing or issue new equity capital is low.

The number of Dutch companies listed on the exchange has fallen from 388 to 220 over the past decade. In the same period the number of Dutch *bonds has risen to 1,406 from* 1,029. Nine Dutch companies were de-listed in 1980 while only one new one—Twentsche Kabel Holding—was added. Six foreign companies were also dropped but there were two newcomers—Canadian Pacific Investments and Volkswagen-Werke.

The most successful of the exchange's recent moves was the decision to list directly a number of American shares which had *previously* been traded in certificate form. The advantage of the "ASAS" share (American Shares *Amsterdam System) is that they* are quoted in dollars, allowing immediate comparison with the price in the U.S., and that the costs associated with the certificates can be saved. The shares remain on deposit with Bankers Trust Company in New York, which also results in cost savings.

TOP TEN SHARES BY TURNOVER 1980
(Fl m)

1 Royal Dutch	6,406.6
2 Rorento	1,685.5
3 Robeco	1,156.8
4 Rolinco	1,125.2
5 Unilever	783.6
6 Philips	624.8
7 Nat.-Nederlanden	584.2
8 Alg. Bank Nederland	421.3
9 AmRo Bank	396.9
10 Dordtsche Petroleum*	392.7

* Holding company whose sole asset is shares in Royal Dutch.
Source: Amsterdam Stock Exchange.

The exchange began trading 12 ASAS *shares last autumn but* such was the response that last May the 58th share was added, when Consolidated Foods Corporation sought an Amsterdam listing — the first share to be quoted from the outset in ASAS form.

Exchange turnover overall rose 31 per cent to Fl 26bn ($9.8bn) to mid-June compared with a *160 per cent rise* in foreign share turnover to Fl 895m. ASAS stocks accounted for 75 per cent of total foreign share turnover. Not only does share turnover seem to be heading for a new record in 1981 from the Fl 50bn figure last year; share and bond turnover have come roughly into balance as well. During 1980 bonds accounted for 60 per cent of turnover.

The decision to extend trading hours for a large number of stocks which had previously only been dealt with in brief opening and closing sessions has been less obviously successful. The morning trading session is now more lively but the afternoon remains *fairly* quiet while brokers, jobbers and the banks reflect on the higher costs of manning their pitches for the longer hours.

The scheme was modified last month to allow stocks to be added *more* quickly to the list and permit a larger number of stocks to be traded throughout the day.

One of the hopes for the European Options Exchange (EOE) was that it would lead to increased turnover of the underlying stocks. The EOE's teething troubles meant that options trading did not make as successful a start as planned but the stock exchange members have the impression at least that share trading has been helped by the EOE.

The stock exchange, which has backed the options exchange with more than Fl 15m (£3m) of its own money, is still firmly behind the venture, says Baron van Ittersum. With option trading volumes picking up steadily —daily turnover has recently been around 7,000 contracts— the stock exchange believes the EOE's future is assured.

Another project on which work is well advanced is a proposed parallel share market. This is intended as a stepping stone to the official exchange and would be a more institutionalised version of the present over-the-counter (OTC) market, on which around 70 shares and bonds are actively traded and which is run by two broking houses, *Broekman's Comissiebank* and D.W. Brand and by the Nederlandse Credietbank.

Busy scene at the European Options Exchange

The stock exchange is keen to bring this market more directly under its own control in the hope that this will encourage *more companies* to make use of it, and ultimately to seek a stock exchange listing. The target date for the start of the parallel market is next autumn.

The stock exchange's hopes that it will once again occupy a central position as provider of capital to commerce and industry are based on a number of factors outside its control. The *financial strength of many* companies has been eroded in recent years and further funding by means of *borrowed* capital would lead in some cases to unacceptable balance sheet ratios. At the same time depressed *share prices make* equity funding unattractive.

The growing realisation among politicians that there are limits to the extent to which Government hand-outs can be used to prop up industry will, the stock exchange believes, persuade the Government that another approach is necessary.

Indications that this process is already under way can be seen in the decision to relax controls on bank holdings in non-banking companies and the encouragement of the setting up of venture capital companies. Any companies helped in this way, however, would not be interested in a stock *exchange listing for many years* yet.

More immediate results may be achieved by the decision to free from tax the first Fl 500 ($190) of any individual's income from dividends. In itself a modest start *it* nevertheless represents a major break from traditional fiscal attitudes in the Netherlands. The financial community has long been calling for an end to the "double taxation" of *profits—first in* corporation tax and then in income tax paid on dividends. Only the Netherlands and Luxembourg retain this system in Europe.

Alongside the efforts to make the stock exchange more attra[ctive] to investors a good deal [of] time has been spent on tryi[ng] to improve the profitability [of] its members.

The Dutch banks, whi[ch] account for 75 to 80 per ce[nt] of exchange business, have lo[ng] complained that their securiti[es] business was either loss-maki[ng] or only marginally profitab[le]. Losses on "retail business" [from] the small investor outweigh t[he] highly profitable work of inte[r]national loan syndication. Alg[e]mene Bank Nederland (AB[N]) calculates that any order [of] under Fl 10,000 will make [a] loss. Since it advises custome[rs] to maintain a portfolio of [at] least five shares direct sto[ck] exchange dealing is effective[ly] *closed to anyone with less th[an]* Fl 50,000 (£10,000) to invest.

"We feel we have a pub[lic] *function so we do not want* [to] follow the example of the U[.S.] banks and turn away the sma[ll] investor," says Mr Cees van d[er] Slikke, head of ABN's securiti[es] operations.

NUMBER OF QUOTED SECURITIES
(year-end)

	1976	1977	1978	1979	1980
Dutch bonds	1,334	1,359	1,379	1,412	1,406
Foreign bonds	150	135	136	126	125
Dutch property funds and *investment* companies	32	31	30	30	30
Foreign investment companies	38	38	32	32	29
Dutch shares	256	249	237	229	220
Foreign shares	*290*	*292*	*288*	*274*	*327**
TOTAL	2,100	2,102	2,102	2,103	2,137

** Including 57 American Shares Amsterdam System (ASAS).*
Source: Amsterdam Stock Exchange.

Progress hindered by major obstacles

OPTIONS EXCHANGE

ADRIAN DICKS

FOR THE European Options Exchange, 1981 might be the year it gets its second wind. During the first five-and-a-half months the volume of dealings *on the exchange* was *40* per cent higher than it had been in the comparable period last year. The average number of options contracts traded daily was over 4,000, compared to 2,900 for 1980 as a whole, while on a good number of days during June it was well above the 6,000 mark.

The EOE's executives and its member firms are not yet throwing their hats in the air. But there is quiet satisfaction that the options market has in its four years moved steadily if slowly upward.

Its continued existence is no *longer in doubt. Such, at any* rate, seems to be the conclusion of the Amsterdam Stock Exchange, which set up the EOE in 1978 and has invested an estimated Fl 20m (£4m) in it.

Despite the fact that it is still running an overall loss, the options exchange *expects* to earn an operating profit on an average volume of *5,000* contracts a day. Should volume rise much above that level, it might even be able to pay its parent body a modest dividend.

Dutch banks, which act as brokers on the options *exchange, say they* are making enough in commission income to cover their staff costs and overheads. They are also convinced that the *functioning* of the EOE has helped the overall volume of the Stock Exchange to grow, to the point that the fortunes of the two markets are closely interwoven.

If the EOE's continued existence *seems assured, however,* it is not yet clear whether it can overcome some of the obstacles that have so far prevented it from growing to anywhere near the size of its model and inspiration, the Chicago Board Options Exchange.

Mr T. E. Westerterp, the EOE's general manager, says that even with the backing of the mighty Chicago Board of Trade and its large membership of adventurously-inclined commodity dealers, it took the options business seven years to grow to its present size. Yet he also identifies two problems faced by the Amsterdam Exchange that may take far longer than that to overcome.

First, as the Dutch have learnt the hard way, the shares underlying the options in which the EOE trades are each subject to a different set of regulations in the countries where they are domiciled. In the U.S. by contrast, there is a uniform set of securities regulations administered by a single body, the Securities and Exchange Commission.

The Amsterdam Exchange deals in options on only 32 shares. Ten of these are Dutch, with Royal Dutch Petroleum accounting for well over half of *the total number of traded* contracts last year. There are about the same number of U.S. stocks, though with far fewer transactions, and a scattering of Germans. The shares in major French companies, previously *listed*, have *almost all* been dropped for lack of interest, and the same fate is likely to await Petrofina, the lone Belgian stock.

Scattering

The Amsterdam Exchange has reached an understanding with the London Stock Exchange's *options market* that neither will trade in share options handled by the other, effectively closing off options trading in British securities in Amsterdam. Mr Westerterp is determined not to introduce *further* share options unless the company concerned and its home regulatory authorities agree, and unless the EOE is convinced they will be actively traded. Japanese stocks, for example, *have not yet attracted* any degree of interest on the Amsterdam stock market, although 16 are listed.

Dutch options men see rather more encouraging possibilities in the German market, and express little concern at reports that one or other of the German bourses might set up an options market of its own. Discussions *are continuing over the possi*bility of trading in options on leading Swiss shares, while the Hong Kong list is also seen by some *Amsterdam* brokers as a possible source of new contracts.

The prospects for substantially adding to the list of traded share options are, however, limited, and the EOE is *therefore placing much of its* hopes on two new "products." Three months ago trading began in gold options. Given a steadily bearish market for the metal, the EOE says it is not disappointed at the relatively low level of dealings.

The Exchange hopes to begin dealings in bond options early in 1982, subject to the approval *of the Dutch Ministry of* Finance. Initially, options are likely to be written only on Dutch Government bonds, but at a later stage it is hoped that publicly quoted dollar issues might be added.

How far these moves can add significantly to the EOE's volume of business will, however, depend on how well it can tackle the second major problem facing it. That is to make known the advantages of options trading to a very much wider group of investors in Europe and beyond. At one level, the Exchange feels it still *needs to educate many investors* in how the market works.

The EOE deals both in call options, which confer the right to buy a specified number of shares or quantity of gold, at a specified price at any time up to a specified date, and in put options, which confer the right to sell shares or gold, at a specified price before a specified date.

Mr Westerterp believes a growing number of both institutional and private investors are realising that options *can be used to* limit potential losses in the value of the shares which they represent. He also believes European investors are becoming more used to moving flexibly into and out of assets, as their U.S. counterparts have long done. Partly as a result of inflation, European investors may have become more impatient and *more sensitive to* short-term opportunities.

There is some doubt, however, as to exactly who is using the EOE. Dutch bankers, active in the market as brokers, carry out much of this business on the orders of *banks and* brokerage houses outside the Netherlands and thus have no *means of knowing* the identity of the investors they are acting for.

Mr G. J. van der Slikke, chief general manager in charge of securities for Algemene Bank Nederland, believes pension funds, *life* insurance companies and other institutional investors in the Netherlands are using *options in widely* traded Dutch shares more frequently as an investment tool. He believes the institutions and the Dutch banks, as large holders of government securities, will also have a strong interest in using traded bond options when *these* are introduced.

However the limited volumes seen so far on the EOE suggest that so far as institutional investors in the rest of Europe are concerned, the Dutch may still have a formidable educational task in front of them.

On this and the following page Charles Batchelor records the views of a number of leading figures in the Netherlands financial community on their role in the country's future.

Men at the helm of money matters

WILLEM DUISENBERG

New supremo of Central Bank

A REVOLUTIONARY act, is how one former ministerial colleague described the appointment of Dr Willem Duisenberg as president of the Dutch Central Bank. Duisenberg, a former Labour Minister of Finance, is due to succeed Dr Jelle Zijlstra in the most senior Dutch monetary post next January.

A greater contrast in personal style between the reserved school-masterly Zijlstra and the relaxed, almost boyish manner of his successor would be difficult to imagine. Yet Duisenberg says he sees no need to make, nor indeed would economic circumstances permit, any change in the moderate monetary policies of the Netherlands Bank.

He will have a formidable task to match the standing that Zijlstra enjoys both within the Netherlands and, as president of the Bank for International Settlements. Time is, in one sense, on Duisenberg's side. At 45, he can count on at least two full seven-year terms as president before handing on to his successor.

Born, like Zijlstra, in the independently-minded province of Friesland, Duisenberg moved swiftly up the career ladder after completing his economic studies at the University of Groningen. After gaining experience with the International Monetary Fund in Washington he returned to the Netherlands as an adviser to the Central Bank.

A year later he left to take up a professorship at Amsterdam University until he was plucked out of the academic life in 1973 to become Minister of Finance in the Government of Joop den Uyl, Socialist Prime Minister. In his four years as Minister in den Uyl's enthusiastically reformist Government, Duisenberg emerged as a man of the pragmatic right of the party.

It was his "1 per cent plan," under which the annual growth of public sector spending was to be kept to under 1 per cent of national income, which first gave the hint that the free-spending years of the mid-1970s could not go on for ever. However it was also Duisenberg who supervised the drawing up of legislation, still making slow progress through Parliament, to turn the Post Office Savings Bank and the postal Giro into a fully-fledged rival to the commercial banks.

It was Duisenberg's apparent determination to beat the banks at their own game which helped cause such a stir when, only a few months after the Government in which he served lost power, he quit politics for a senior appointment—at a bank. In moving to the Rabobank Nederland, where he is now deputy chairman, Duisenberg at least chose an institution based on co-operative principles.

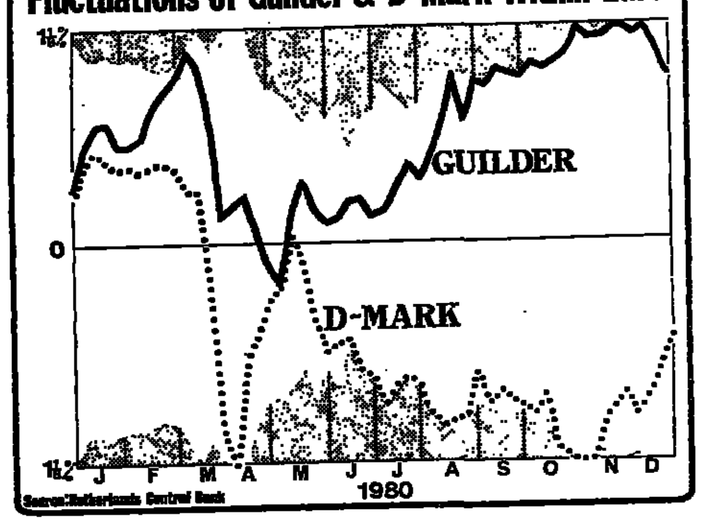
The foremost concern of the six-man board of directors of the Netherlands Bank is to ensure a stable guilder—a task at which Zijlstra and his team have succeeded admirably. The Central Bank, which enjoys considerable freedom from Government control, is also charged with the supervision of the banking and credit system.

Duisenberg supports the policies which the Central Bank has followed in recent years and commercial bankers are unanimous in their belief that he will keep the bank on its present course.

The Central Bank sees monetary controls as essential to provide a sound basis on which equally necessary budgetary, price and wages policies can be based.

Comparing the job of a minister with that of Central Bank president, Duisenberg sees the former as occupying a place at the centre of social developments while the latter requires a distance to be kept from the heat of the debate. The Central Bank's modern high-rise office on the Frederiksplein in Amsterdam should be both a refuge and a beacon, he says.

Fluctuations of Guilder & D-Mark Within EMS



Dr Willem Duisenberg

Baron Boudewijn van Ittersum

BARON VAN ITTERSUM

Called to head Stock Exchange

BARON Boudewijn van Ittersum, chairman-designate of the Amsterdam Stock Exchange Association, is the first outsider in the Association's history to be brought into the top job.

The choice of a man who had spent 15 years at the Finance Ministry in The Hague was understandable, van Ittersum says. At a time when Government policies towards private capital seem set to undergo a change it is important to have someone with contacts in The Hague and a knowledge of how officialdom works.

"Perhaps the Stock Exchange also saw an advantage in having someone who did not represent any particular interest groups such as the banks, brokers or jobbers," he comments.

Van Ittersum's own motivation in moving to the Stock Exchange stemmed from the desire to see the problems he had dealt with as an official from the point of view of the business community. Now 42, he has spent all of his working life at the Finance Ministry.

He started in the Department for International Monetary Affairs, where he spent some time representing Dutch interests at the International Monetary Fund in Washington, and he later switched to domestic monetary matters, where he was involved in planning national monetary policy and with financial legislation.

Van Ittersum is already at work in the Stock Exchange, though he does not formally take up his appointment until October, when the current chairman, Mr Philip Korthals Altes, steps down. Mr Korthals Altes became the Exchange's first full-time chairman in 1973.

Although considerable improvements have been made during the past decade, there is, in van Ittersum's view, still a long way to go. The direct trading of American stocks has been a major success and has confirmed Amsterdam's traditional role as a source of financing for the North American continent. But further improvements must be made to improve efficiency and cut costs.

The new chairman is convinced that attitudes are changing. The Stock Exchange will gradually be seen less as a centre for speculators and more as an essential part of the economy, providing companies with funds and ultimately creating jobs, he says.

The decision to free the first Fl 500 of dividend income from tax is a modest but welcome start to the process of encouraging the private investor to make use of the Stock Exchange. Van Ittersum foresees a gradual reduction in the Government's role as a provider of capital and a return of the private investor.

He views Amsterdam as an attractive proposition for foreign investors because of the relative cheapness of Dutch stocks compared with other bourses. He disagrees with those who would write Amsterdam off as a small local affair. With a 1980 market capitalisation of nearly Fl 152bn ($58bn), it is one of the larger world bourses which, because of liberal government policies, has always been open to the foreign investor.

The Amsterdam Stock Exchange has ambitious plans to become a meeting place for the suppliers and consumers of capital. It has already arranged meetings with the senior managers from the largest quoted companies. "We used to spend a lot of time telling people how the Exchange functioned. We now intend to put the emphasis on our vital role in the country's economy."

EIJMERT DEN BAKKER

Chairman's weather eye on outlook

WEATHER IMAGES occur frequently in a conversation with Mr Eijmert den Bakker, chairman of the largest Dutch insurance group, Nationale-Nederlanden. Commenting on the unexpected buoyancy of business in the Netherlands in the first months of 1981 he concedes that insurance men tend to see the clouds building up, but often do not notice the silver lining.

Nat-Ned's search for at least its fair share of silver linings has made it the most active of Dutch insurance groups in expanding abroad. Business booked outside the Netherlands accounted for more than half of the company's 1980 premium income of just over Fl 6bn ($2.3bn) and it is continually assessing the market for further acquisitions.

Not that Nat-Ned is a company to go in for "dawn raids" on the shares of likely takeover candidates, den Bakker stresses. Profitability is an essential requirement of any further partner but even more important is the quality of the management. Nat-Ned has no interest in antagonising the staff of a company it is taking over.

"We have never expanded for the sake of expansion," says den Bakker. "Each project must fit into our plans for the group as a whole and the local people must be able to do the work themselves. Otherwise the central group management would be overstretched. We give a great deal of local autonomy — if the people are good you can let them do a lot themselves —though we maintain strict reporting and budgetary controls so we know exactly what is going on."

Nat-Ned is now awaiting approval from the Australian authorities for its agreed bid for half of Mercantile Mutual Holdings after having expanded rapidly in Australia recently. The U.S. has been the main area of growth, however, culminating in the Fl 700m takeover of Life of Georgia two years ago.

In Europe Nat-Ed has been expanding southwards, by acquisition in Greece and by establishing its own company in Spain. France and West Germany offer fewer opportunities since local banking or industrial groups are unwilling to relinquish control of the insurers of interest to Nat-Ed. Starting from scratch in such sophisticated markets is out of the question.

While Nat-Ned's geographical expansion has been spectacular the company has been cautious in its approach towards product diversification. It has made a modest start with project development but sees this as an extension of its investment strategy.

It also provides consumer financing, though this is mainly seen as helping the independent agents through which most insurance in the Netherlands is sold to provide a broader range of services.

Den Bakker, now 61, went into insurance more than 20 years ago with a company which eventually became part of Nat-Ned. The group owes its present size to a merger in 1963 of Nationale Levensverzekeringbank of Rotterdam and Nederlanden van 1845 of The Hague. Den Bakker joined the managing board soon after the merger and became chairman in 1977.

The insurance world continues to fascinate him as a mirror of social developments. A British subsidiary has been involved, for example, in insuring North Sea oil rigs, Concorde and the Space Shuttle, while in the Netherlands husband and wife insurance has recently been joined by policies for couples simply living together.

Nat-Ned has 26 per cent of the Dutch life insurance market and 12 per cent of non-life business but says it maintains a small-scale approach to customers by operating through agents who can offer the personal service. Despite the company's large market share den Bakker is not pessimistic about growth prospects in the Netherlands — though he believes an international spread is important, particularly for non-life business. "The sun does not shine all the time," he comments. "But then neither does it rain everywhere at once."

Mr. Eijmert den Bakker

Mr Onno Vogelenzang

ONNO VOGELENZANG

Task of steering two organisations

MR ONNO VOGELENZANG, chairman of Amsterdam-Rotterdam Bank (Amro)—and for the next two years also of the Netherlands Bankers' Association—will be called upon to steer both organisations through difficult times. The recession which has long been felt in industry has now finally caught up with the bankers.

Almost without exception the Dutch banks last year made considerable additions to their provisions for general risks; the large profit increases of the 1970s are a thing of the past. Amro, the third largest Dutch bank in balance sheet terms, increased net profit by 1 per cent in 1980 and raised its provision for risks by 50 per cent.

"This will be another difficult year for the Dutch banks with a sharp slowdown in the rate of domestic credit growth," says Vogelenzang. "How long this situation lasts will depend on what decisions the government takes to help companies and how quickly these decisions are made."

The proposals made by the Wagner Commission to revitalise Dutch industry would provide a welcome boost, Vogelenzang believes. But equally important is that the politicians make rapid progress towards forming a new government which can take effective action.

A positive development, he feels, is the changed mood in the Netherlands. "Compared with two or three years ago the atmosphere is different. People are now beginning to ask 'How can we solve our problems?' In 1980 disposable incomes fell for the first time. Absenteeism is declining and the turnover of staff has slowed down."

Career

Vogelenzang, now 58, became chairman of Amro in 1979 after a 27-year career with the bank. Before his appointment, the chairmen of the Amsterdamsche and the Rotterdamsche Bank, after the two banks merged in 1964 to form Amro, spent alternate years in the top post. He denies, however, that the chairmanship confers great powers. The bank's managing board functions as a team, he says.

The Netherlands Bankers' Association, of which Vogelenzang became chairman last month, represents the commercial banks in their discussions with the central bank and the Ministries. Recent topics of debate have been the development of the Eurocard system and credit controls (which the central bank has now agreed to suspend for the rest of the year). These subjects are dealt with by committees staffed by the appropriate experts from the banks.

Interestingly enough, the Association does not represent the largest Dutch bank, Rabobank Nederland, which has a co-operative structure, or the savings banks—though all Dutch banks come together under the aegis of the College van Overleg, a more informal forum for discussions.

The normally smooth feathers of the Dutch banking community have been somewhat ruffled recently by claims from the foreign banks that the credit controls hit them harder because of their lack of a local deposit base. On top of this, the foreign bankers said, their views were not properly represented in the Bankers' Association.

Vogelenzang recognises the conflict of interests but points to the extra facilities which were given to the smaller banks. "We are discussing ways of giving the foreign banks more say but you must not forget that in other countries they often have less influence than in the Netherlands."

Mr. Johan Kleiterp

JOHAN KLEITERP

Incomer adheres to family style

MR JOHAN KLEITERP, chairman of Pierson, Heldring and Pierson (PHP) came late to merchant banking. Now 48, he spent 13 years with the Dutch chemicals concern Akzo and two years with the food retailer Ahold before moving to PHP in 1975.

Kleiterp, who took over as chairman last April—the first from outside the ranks of the Pierson family—believes his experience in industry and trade were a useful preparation for becoming a banker.

While some of its merchant bank competitors have expanded their branch networks and taken on the character of general banks, Pierson has stayed true to its merchant banking origins. It has developed its foreign network, but in the Netherlands it still only has four offices, including its headquarters on Amsterdam's Herengracht.

Kleiterp prefers the term "specialised wholesale bank" as a description of the scope of Pierson's activities. Securities business and asset management form its traditional services while trust activities and specialised credit operations have since been developed. Financial consultancy—advising clients on how to set up property management companies, holdings or investment funds—is also a major activity.

Pierson has a long-established subsidiary on the island of Curaçao in the Netherlands Antilles engaged in offshore banking and trust management. This, together with the Amsterdam headquarters and an office in Hong Kong form the core of its international network. PHP has expanded its physical presence abroad in recent years but has been active in foreign business much longer.

Quaint proof of this long-standing overseas involvement is Pierson Station on the Canadian Pacific rail network in Manitoba. The station was named as a thank you for the work done by the bank in introducing the railroad's shares on the Amsterdam Stock Exchange a century ago. Kleiterp's predecessor as chairman, Mr Allard Jiskoot, still serves on Canadian Pacific's board of directors.

With 51 per cent of its 1980 income from commissions and securities' business, Pierson sees its balance sheet total as only a partial guide to the extent of its activities. But the passing of the Fl 5bn ($1.9bn) mark last year was a sign that it was achieving its growth targets and made it number eight among Dutch banks.

Independence

Since 1975 Pierson has formed part of the Amsterdam-Rotterdam Bank (Amro) Group though it claims complete independence from its parent. Psychologically the link has benefited Pierson though it has never drawn on the financial resources of Amro. In New York Amro's branch and Pierson's representative office operate completely separately and in different buildings, says Kleiterp.

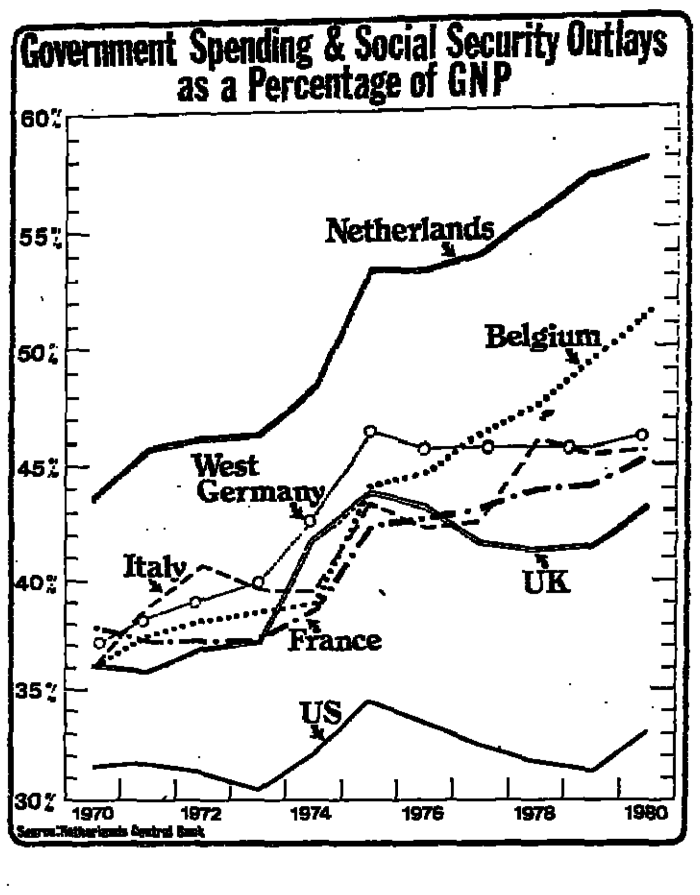
The depressed state of the Dutch economy and the unattractiveness in the Netherlands of raising new capital through share issues has cut sharply into one of Pierson's core activities. Kleiterp nevertheless sees a good future for the specialised merchant bank offering a flexible, quick and personal service to its customers.

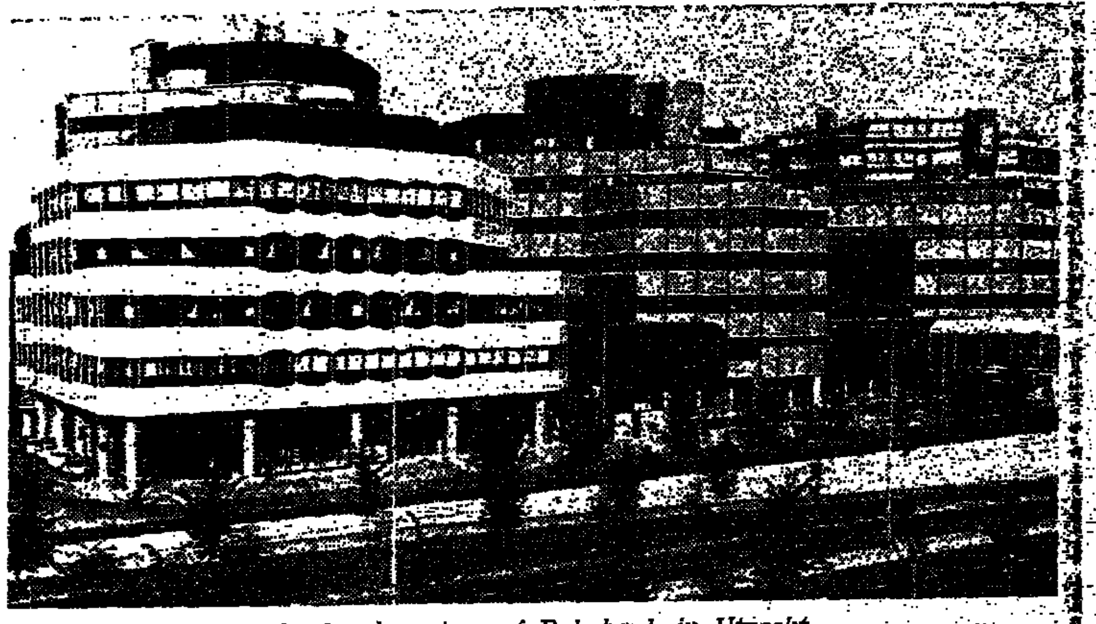
Calls for the "re-industrialisation" of the Netherlands and for the institutions to take a more active role in providing risk capital should create new openings for a bank like Pierson. It has plans, together with Amro and three other partners, to set up its own venture capital subsidiary. This, according to Kleiterp, is the issue which will be keeping Dutch bankers occupied over the next few years.

Bigger cuts needed to restrain spending

GOVERNMENT

CHARLES BATCHELOR





The headquarters of Rabobank in Utrecht

THE DUTCH Government's efforts to bring public spending under control have met with very meagre success over the past 12 months. Those cuts in spending which have been made have been insufficient to prevent the Government's deficit growing further.

The public sector has continued to dominate the capital market, with the banks and insurance companies proving the only other substantial borrowers. The depressed industrial sector expects gross investment levels to fall for the second year running in 1981 and has been practically absent from the market.

The borrowing requirement of central government and local authorities is expected to amount to between seven and eight per cent of national income in 1981, according to Dr Arnou Wellink, Treasurer General at the Finance Ministry. Some banking economists expect even higher borrowing levels, however, and are forecasting a deficit of up to 8.5 per cent or Fl 24bn ($9bn).

These figures may be only slightly higher than the 7.5 per cent deficit recorded in 1980 but they show the failure of attempts to cut the deficit. They also confirm the dramatic worsening of the picture since 1978, when the deficit was 4.4 per cent, and 1979, when it rose to 5.6 per cent of national income.

These figures do not take into account the sums needed to redeem earlier loans, which could amount to between Fl 3-4bn this year. "We assume that what we can repay we can always borrow again," said De Wellink. "You do reach a point when you cannot but there is no sign yet of that being reached."

The economic recession has reduced tax revenues, while the sharp rise in the jobless has greatly increased unemployment and other welfare payments. The Government grossly underestimated the impact on private consumption of its policies to restrain wages and increase the individual's contribution to welfare premiums, according to one banking economist. Real spending power has fallen quicker than had been expected.

The outgoing Government's "Blueprint 81" policy, which was announced in 1978, proved a turning point in Government thinking. The blueprint's aims of cutting public spending by Fl 10bn annually by 1981 were thwarted, however, by opposition in Parliament. The savings made, moreover, were modest compared with the spending commitments incurred by the generous welfare programmes devised in the mid-1970s.

Welfare

Central government spending alone as a share of national income rose to 48 per cent last year compared with 34 per cent in 1973, according to central bank figures. Government spending on materials, investments and wages have risen only moderately but transfer payments to meet the welfare bill have increased sharply.

Natural gas revenues are now rising more closely in line with the oil price following successful negotiations with the main export customers. This is expected to add a further Fl 2bn a year to gas earnings. As the Central Bank warned in its latest annual review, however, the gas is already running out and no attempt has been made to invest the profits in a productive fashion. The deficit on the Dutch energy balance rose by Fl 1bn to nearly Fl 4bn in 1980 after revenues peaked in 1977.

The seriousness with which the politicians now regard the need for cuts in public spending is evidenced by the inventory of areas where savings can be made which was ordered by the outgoing Government. This amounts to no more than a list of potential savings but clearly shows a move towards greater realism.

The generous Dutch welfare system now pays disability benefit to nearly 700,000 people on top of the 340.000 or so who are actually unemployed. Proposals which have been made for cutting spending include reducing the level of benefits, a stricter selection of those who qualify and relating the level of payment to need. Families where only one member is in receipt of social security would be spared but those where more than one welfare payment is made might have to make do with less.

Work has already begun on preparing the 1982 budget to be announced in September. If forming a new Government takes several months this could well prevent effective measures being taken, since a caretaker Cabinet would be unable to initiate radical new policies. Mr Dries van Agt, the outgoing Prime Minister, has hinted, however, that he is prepared to act decisively.

According to Dr Wellink, the Cabinet will have to prepare more than a merely "technical" budget. Public spending would continue to rise if no measures were taken: the social security funds, which have used up much of their reserves during the past year, must be replenished.

The size of the Government's budget deficit has encouraged it to move rapidly to raise the necessary funds. By April, when Finance Minister Mr Fons van der Stee presented his spring budget memorandum, the Government had raised Fl 12.4bn of the Fl 19.5bn it then estimated it needed. This left Fl 2.5bn to be raised by so-called monetary financing—the issuing of Treasury bills—and only Fl 4.6bn to be raised on the capital market.

Of the Fl 12.4bn which had already been raised Fl 4.4bn had come from the civil servants' pension fund, which has a statutory obligation to invest in Government securities, Fl 4.5bn had been raised on the public capital market and Fl 3.5bn on the private market.

In March the Government raised an unprecedented Fl 2.5bn in one single loan tender. Despite the size of this issue it accepted only 18 per cent of the bids made at the issue price of 101.2 per cent. While the Treasury is keen not to unsettle the capital market by bidding up the price of money it had recently "sugared" loans with special conditions, in one case removing the usual clause which restricts choice of maturities on the same loan.

Opposed

While the Central Bank is strongly opposed to the Government making direct loan placements abroad, foreign investors have been taking up larger slices of domestic loans. Thirty per cent of the Fl 2.5bn loan was taken up by foreign investors. Total foreign investment in Dutch state loans rose to between Fl 2bn and Fl 2.5bn in 1980 from an average of Fl 650m annually in the three preceding years. This increased interest may signify a vote of confidence in Dutch policies and the guilder but it does increase the risk of large-scale sales if foreigners' view of the currency were to change.

This increased reliance on foreign investors prompted Dr Jelle Zijlstra, president of the Dutch Central Bank, to warn that the Netherlands had been relegated to the second division. A return to the first division, where countries fund their government deficits domestically, would be difficult, he said in his annual report.

Dr Zijlstra retires in December after 15 years as president and will be succeeded by Dr Willem Duisenberg, a former socialist Minister of Finance. Dr Duisenberg is not expected to change the bank's policy of "moderate monetarism," whereby control of the money supply is important but sensible wage and prices policies are also considered essential.

The retirement of Dr Zijlstra and of another of the Central Bank's governors has prompted several other changes among senior monetary officials. Dr Wellink will join Dr Duisenberg at the central bank while his place at the Finance Ministry will be taken by Dr Pieter Korteweg, an outspoken monetarist whose views, some bankers feel, could conflict with current Ministry and Central Bank thinking.

Prospects for a reduction in the budget deficit over the next few years are reasonable in the view of Dr Wellink. An upturn in the business cycle would remove 1.5 percentage points of the deficit and savings at the rate half a percentage point — Fl 2bn or so — a year would bring the deficit down to an acceptable 4 per cent in a fairly short time. There are growing signs that the political will to make these cuts exists. There is some way to go though before the Central Bank will be satisfied.

U.S. top of the shopping list

DIRECT INVESTMENT

ADRIAN DICKS

IN 1979 the U.S. Department of Commerce's statistics on foreign direct investment in the U.S. showed the Netherlands, with a total of $4.7bn invested in America that year, in first place by a wide margin. Some three-quarters of that sum was accounted for by a single deal. Shell Oil's $3.5bn acquisition of Belridge, largely financed by borrowing within the U.S. since the buyer was itself the U.S. subsidiary of the Royal Dutch/Shell group and, arguably, attributable in part to the UK. Yet if the huge takeover was a less than clear-cut direct foreign investment, it was an accurate enough illustration of a judgment by Dutch companies large and small. In the past decade they have chosen to invest an increasing amount outside the Netherlands, and nowhere more readily than in the U.S.

There has been a series of other large acquisitions of American companies by Dutch groups in recent years. Philips, the electrical giant, which has long had extensive manufacuring interests in the U.S. in a wide range of electrical and electronics sectors, acquired Magnavox for $135m. Ahold, the big Dutch trading and retailing group, bought Bi-Lo for $150m. Nationale-Nederlanden, one of the giants of the insurance business, paid $330m for Life Insurance Company of Georgia. Unilever, the second Dutch-British multinational, took control of National Starch and Chemical for $485m.

In a short space of years which saw a flood of acquisitions by European companies, Dutch corporate shopping trips in the U.S. brought in several other prime assets—to say nothing of an estimated $10bn invested by companies and individuals in property over the past decade.

According to figures compiled by Pierson, Heldring and Pierson (PHP), the Amsterdam investment bank, direct investment by Dutch investors outside the Netherlands increased between 1971 and 1980, on a five-year moving average basis, from Fl 1.6bn to Fl 4bn (£800m). At the same time investment in the Netherlands by foreigners, measured on the same basis, scarcely changed from Fl 1.5bn to Fl 1.6bn. Thus starting from a situation of approximate balance at the beginning of the last decade, the Netherlands moved into deficit of Fl 2.4bn on private investment transactions by the end of it.

Dutch direct investment in the U.S. rose from 11 per cent of the total in 1971 to 24 per cent in 1980, while investment by Americans in the Netherlands fell from 44 per cent of the total in 1971 to 22 per cent 10 years later.

Disconcerting

In its annual report for last year, PHP wrote that direct investments abroad were "linked to the deterioration of the industrial climate in the Netherlands. The constantly rising public sector burden (taxes and social premiums) and labour/income ratio have for years borne down on industry's earnings capacity, while impairing the equity ratio. As a result, the readiness to invest in one's own country finds no stimulus: on the contrary, there is a growing urge to invest elsewhere, particularly in the U.S., where the entrepreneurial climate seems so much better. This trend is of course most disconcerting, especially from the point of view of employment opportunities."

The bank might have added that another factor appears to have been no less powerful a motivation to Dutch businessmen than to their counterparts elsewhere in Europe and in Japan to invest in the U.S.: the depreciation of the dollar against most other major currencies during the 1970s. According to PHP's calculations, based once again on a five-year moving average, its decline against the guilder was at least 30 per cent during the period. This compared with a 12 per cent increase in the wage component of total value added by Dutch manufacturing industry, and a 20 per cent increase in taxes and social security contributions as a proportion of national income.

While the dollar has not yet made up all the ground it lost during the 1970s, its renewed strength during the past year or so in the wake of high U.S. interest rates has begun to raise the question of whether the tide of new direct investment may once again flow eastward across the Atlantic, as it did between the 1950s and early 1970s.

At the more volatile level of portfolio investment, this already appears to be the case. PHP's figures show foreign investors to have been net buyers of Dutch securities by 1980 on the five-year moving average

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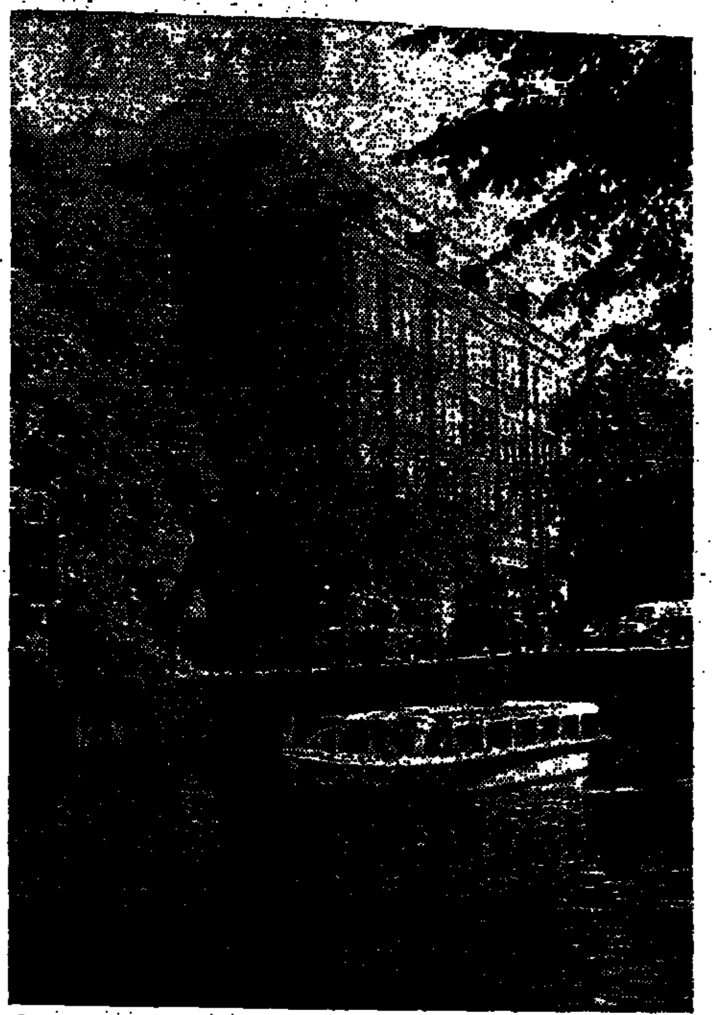
Foreign expansion offsets quiet home market



Head office of Amsterdamsche-Rotterdamsche Bank in Amsterdam

ECONOMIC INDICATORS

(Percentage changes)

	1978	1979	1980	*1981
Private consumption (vol.)	4	2	−1	−3
Gross company invest. (vol.)	6	4	−4	−7
Direct exports (vol.)	3	10	0.5	1
Direct imports (vol.)	6	6.5	−1.5	−4.5
Production by companies (vol.)	2.5	2.5	0.5/1	−1
Real national income	2.5	0.5	−0.5/−1	−1.5
Cost of living	4	4.75	6.5	6.5/7
Real disposable income	3	2	−1	−2.5/−3
Wage costs per unit product	3	1.5	4	3
Payments current account (Flbn)	−2.5	−4.1	−4.9	3
Unemployment ('000)	206	210	248	365

Source: Central Planning Office—1981 Economic Plan.
* Forecast

INSURANCE

JEFFREY BROWN

THE INSURANCE industry, a *prime source of capital market* funds in the Netherlands, is slowing down. The recent rapid rise in company profits has begun to give way to a more *modest period of expansion* as the industry's margins adjust to the *less favourable* trading environment of 1981.

Nationale-Nederlanden, the largest Dutch insurance company with *something* like *half* the local market for both life and *non-life business, managed* to increase net profits from *Fl 155m to Fl 356m between* 1975 and 1980. In May this year it told shareholders that earnings in 1981 would do well to rise by *more than five per cent.*

Economic belt-tightening is *beginning to have an adverse* impact on Dutch life insurance profitability. Pensions-*linked* business is less readily avail*able, and the collapse of the* Dutch housing market over the past two years has *undermined* mortgage operations. House *prices in Holland have tumbled* by more than a fifth since early 1979.

Non-life business too shows signs of running out of steam. The quite remarkable recovery in non-life profits has been a major driving force within the industry in recent years. In this area profits have flattened out in the face of increasing competition and premium growth has had to be curbed.

High interest rates, which have done so much to boost investment income of late, are also undermining the insurance companies' main non-insurance line, personal lending. Bad debts and slimmer margins have been reflected recently in a number of poor results. In 1980 Nationale-Nederlanden actually made a loss on its consumer finance operations, slipping Fl 5m into the red.

A feature of recent years has been *the way the major* companies have invested heavily in the future through expansion abroad. It is *in this way that* much of the strong cash-flow of the *late 1970s has been* absorbed.

Nationale-Nederlanden took a major plunge in 1979 by buying the U.S. life group Life Insurance of Georgia for $330m after a lengthy on-off-on tussle. Since then the company has been pushing hard for a stake in Australia, culminating recently in an offer of $100m for Mercantile Mutual Holdings.

Amev, ranked second in the Dutch *insurance* league, *paid* $134m last year for Interfinancial Inc. of the U.S., and earlier this year Ennia, the third biggest Dutch insurer, bid $144m for another American life group, National Old Life Insurance.

Ennia has lagged behind its rivals in the race to build up life assets abroad and move *out* of the hotly contested Dutch *market. Last year* nearly half of Ennia's non-life business came from abroad but just five per cent of life business arose outside Holland.

String

In contrast, Amev's move for Interfinancial is only the latest in a string of acquisitions starting with Time Insurance of the U.S. in 1978 and Gresham Life Assurance a year later. United *Dominions* Trust (*Australia*) was acquired in 1980. The Interfinancial deal was a big one for Amev with the purchase price representing *some 36 per cent* of the company's stock market capitalisation.

Foreign expansion on this scale has changed the structure and flow of premium income among Dutch insurance companies. Nationale-Nederlanden now gets 45 per cent of premiums from outside Holland with Amev not far behind at just over 40 per cent. The percentage at Ennia is around 35 per cent. In 1976, Amev was getting 86 per cent of premiums from the Dutch market.

This wide spread of premium *income is likely to provide the* industry with a useful cushion *against swings* in trading in the years ahead and it puts *Dutch companies much more* into line with other and larger insurance centres.

TOP SIX INSURANCE GROUPS 1980

	Premiums: Life	Premiums: Non-life	Premiums: Total	Investment Income	*Claims experience
	percentage gain				
Nationale-Nederlanden	16	17	16	18	63.8
Amev	22	51	33	23	62.7
Ennia	*7*	*21*	*13*	*19*	*68.6*
Amfas	10	15	13	14	60.9
Stad Rotterdam	26	24	25	11	65.8
Delta Lloyd	12	6	9	30	60.3

* Percentage of earned income.

There is comfort too in the *trend of two important trading* influences, investment income and claims experience. The former remains buoyant as a result of peak interest rates world-wide, while claims *experience, in Holland at least,* continues to edge lower helped *by better motor results.*

With the exception of Stad Rotterdam, whose business is entirely domestic and wholly non-life, all major insurance groups reported reduced claims experience in 1980. Delta-Lloyd, which is part of the Commercial Union group, made the most headway, cutting back claims as a percentage of earned income by no less than *7* per cent—to *60.3* per cent from 64.9 per cent. *At Nationale-Nederlanden* the ratio was 63.8 per cent against 65.2 per cent *in 1979.*

Amev led the way in terms of premium growth with a gain of 33 per cent last year, putting it head and shoulders above the competition. Stad Rotterdam achieved 25 per cent growth while Nationale-Nederlanden could manage a gain of only 16 per cent. Amev achieved quite ferocious growth in its non-life business where acquisitions helped boost premiums by no less than 51 per cent.

Delta Lloyd, where premium growth last year was easily the *most sluggish among* the "big six" companies, could at least *point to a gain of 30 per cent* for investment income. This *increase is a full seven points* ahead of Amev, Delta's nearest rival last year, and more than twice as great as the 14 per cent improvement achieved by Amfas.

Dominate

Nationale-Nederlanden and Amev dominate the Dutch insurance scene, accounting between them for something like 77 per cent of industry *life premiums* and 70 per cent of non-life premiums. At Nationale - Nederlanden, Fl 249m of pre-tax profits arose out of life business and Fl 171m from non-life. The comparable profits at Amev were Fl 124.5m and Fl 62m.

But it was the third largest company, Ennia, that produced the sharpest overall profits performance last year. Its net income rose by 27 per cent to Fl 88.4m, and this year so far the company still appears to have plenty of impetus—in marked contrast to the rest of the industry.

During the 1981 first quarter net *income* at *Ennia* was running 25 per cent ahead. *The performance* embodied an increase of 10 per cent in revenues and stemmed largely from a sharp gain in indemnity business, where at the pre-tax level profits were more than doubled. Indemnity profits totalled Fl 7.5m, and life profits were up 10 per cent at Fl 22.9m.

Shopping list

CONTINUED FROM PREVIOUS PAGE

basis, to the tune of about Fl 500m, while Dutch investors were net sellers of about Fl 600m of foreign securities.

Dutch bankers identify a number of reasons for this apparently bullish view by foreign investors of Dutch securities, which they believe could only strengthen further if dollar interest rates were to ease a few points. The Dutch equity market is still relatively cheap in the view of many Amsterdam bankers, with many shares other than those of the handful of "internationals" spurned by local investors and overlooked by foreigners until very recently.

Dutch fixed interest securities have *meanwhile attracted* considerable foreign interest in recent years. Foreign *purchases* of Dutch bonds rose from Fl 3.6bn in *1979 to Fl 5bn last* year—though they seem to have been largely absent from the market so far this year. Some of this foreign interest *in both* bonds and equities is attributed by Amsterdam experts to a strategic interest in diversification on the part of American (and to a lesser extent British) institutional investors.

A second reason why foreign investors are paying more attention to the Dutch market may well be that the economic fundamentals are a good deal more favourable than in most *other* European countries. A determined though not recklessly harsh monetary policy, high interest rates, higher export prices for Dutch natural gas and the *likelihood that* inflation will again decline—to around 6 per cent—all appear to have encouraged longer-term foreign interest in holding guilder-denominated securities at yields that until quite recently have, in Dutch terms, been unusually high.

None of these factors, favourable though they may be from a foreign investor's point of view, seems sufficient to alter the much more cautious view taken by Dutch investors of their own prospects, whether they be institutions judging securities or industrial companies considering major new moves. Both are likely to wait to see what comes of the current political debate over how the rate of growth of wages and of taxes and social security contributions can be slowed down to levels less onerous for employers, and whether the "reindustrialisation" of the Netherlands can be brought about as quickly as they hope. If it can, the country's appeal to foreign industrial investors would also increase.

Stagnant home market forces investors to look abroad

PROPERTY

WILLIAM COCHRANE

ONE WAY or another, recession *and high interest rates take* their toll of any investment market. In the Netherlands observations may vary with a particular viewpoint. But the *stagnation of the Dutch* economy is reflected in relatively strong language and strong decisions about performance and prospects of the property sector.

In their May 1981 report on the commercial property market in the Netherlands, Savills say that its stability "has shown signs of vulnerability in the face of the continuing recession."

"What we have witnessed over the past six months," Savills say, "has been a remarkable change in the investment market. Even the difficulties in 1974 never showed the sudden downward *movement* in capital values seen over the past six months."

Specific

Savills are prepared to be *specific*: "It is probably true that all the investment yields have moved out since our last report and current net investment yields for prime properties full let to good tenants are now as follows:

- Offices .... 7 per cent (6 per cent);
- Shops .... 7.5 per cent (6 per cent);
- Industrial ...... 8.5 per cent (8 per cent);

The figures in brackets were the prime net yields six months ago. On the smaller investments, say under Fl 2m (£384,000) yields could be somewhat higher than those quoted.

The Dutch, of course, cannot afford to be limited to their own market, *whatever its* present condition. "It is interesting to note," say Savills, that during 1980 the Netherlands invested more money in the *U.S. than any other country.*"

Where property is concerned, this brings us directly to a major Dutch investor: Rodamco, the property arm of the Robeco investment trust giant, which issued its annual report for the year to February 28 just three weeks ago.

Rodamco says flatly: "Our aim is to extend our interests in the U.S." There are positive as well as negative aspects to *this decision: in the Netherlands, however, the negative* aspects tend to predominate.

The Rodamco management sets out the problem: "During the year under review the Dutch economy was dominated by two groups of related phenomena, *both of which* had their effect on the Rodamco *portfolio.*" It says the first group "consisted of lower consumer spending, less investment (particularly *in the* building sector) and higher unemploy*ment.*"

Rodamco sees this particular set of problems as "to some considerable extent" responsible for the large increase in *shops for sale or letting* and a smaller increase in office space offered in the year under review.

Next come the position of the Dutch guilder and the high level of interest rates. London stockbrokers Buckmaster and Moore, in their latest monthly news sheet on the Netherlands, pinpointed the guilder at a rate of 2.65 to the U.S. dollar on June 9 last, compared with 1.76 a *year earlier.*

It follows that dollar investments have performed that much better in straight currency translation terms than those denominated in guilders. Meanwhile, notes Rodamco, "*high interest rates* imply less new building in the property market.

"We expect that a possible recovery of the Dutch economy will be some time in coming," Rodamco concludes. "Because of this belief we have decided to reduce gradually our interests in the Netherlands—which were not affected by purchases *or sales during the financial* year."

Rodamco's annual report takes in an itemised list of properties, including annual rents, and the *necessary crude conclusions one* can draw from the Dutch list are not very exciting. Rents seem to have risen on average by about 4 per cent for shops, 6 per cent for offices and 2 per cent for comparable office properties in the 12 months to *March 1 1981.*

Where offices are concerned, Savills draw international comparisons. "In most cities of the world," they say, "offices *are concentrated in the down*town area adjoining local government offices, markets, stock exchanges, etc., etc. This locational trend is not obvious in Holland. . ."

In Amsterdam the city centre is no longer the prime office location; *there are* access problems caused by the small streets, numerous canals and the absence of car parking. In The Hague in recent years there has been a trend away from the *central area to* Zoetermeer; in Rotterdam offices do not have a clearly defined prime pitch.

"This diffusion of office space," Savills remark, "is *likely to* dampen *rental growth*, which will be more influenced by cost push factors rather than selective demand."

Building costs have generally risen in parallel with office rents, while the CBS cost of living index has increased at a lower rate, they say. "It seems that a more restrictive planning policy on office developments will be needed if office rental growth is to increase substantially over the next 10 years."

Over the past six months, say Savills, office rents have risen marginally and for prime modern space annual rentals stand at:

- Amsterdam Fl 350 per square metre (£6.25 per square foot);
- The Hague Fl 250-280 per m^2 (£4.46 to £5.00 per sq ft); and
- Rotterdam Fl 240-260 per m^2 (£4.28 to £4.64 per sq ft).

Like Rodamco, Savills make a point of the increasing number of shops which have come on to the market as traders suffer from the recession.

"*Generally speaking,*" Savills report, "shops have not re*mained vacant for very long* and have been taken up by other retailers often trading down into smaller premises or by the few who are still expanding.

"There has been no increase in shop rents in central Amsterdam, Rotterdam or the Hague, or in other towns or cities with a population of over *50,000*, they say. Rodamco, meanwhile, gets down to cases: ". . . rents remain reasonably stable," says the annual report, "with the exception of rents for shops in the centre of Amsterdam, which *showed a distinct decline.*"

Savills say that the industrial market continues to operate on two levels: "the best modern space in the Randstad area continues to find ready buyers or tenants providing the unit is of less than 1.000 sq metres (approximately 10.760 sq ft). *The old property especially* outside the Randstad continues to suffer from low demand and this is likely to continue".

Equation

The recession here is particularly marked on the supply side of the equation. In the industrial sector, Savills reckon, availability of space has increased *over the past* 12 months by approximately 25 per cent.

"This", they say, "can be accounted for by the depressed economic situation and a number of companies having to close down factories". Indus*trial rents in the* Randstad continue in the range of Fl 80-Fl 90 per sq metre for prime modern space. Prime provincial rents are also unmoved at Fl 60-Fl 65 per sq metre.

Summing up, Savills see little prospect for growth in office rentals in the coming six *months; further ahead they* fancy the prospects in The Hague and Rotterdam more than in Amsterdam — where a large stock is currently being developed.

Forecasts have suggested that at least 5m sq ft of new office accommodation will be added to *Amsterdam's stock over* the next three years or so." The total compares with a recent annual take-up of around 1m sq ft and a smaller figure in 1980.

In what seems to be a spirit of fair play, Savills also con*clude that provincial shop* rents will tend to increase; that investment yields are likely to drop marginally once the market recognises the "exceptionally favourable purchases available." The industrial mar*ket could show signs of revival*, though this will depend partly on the amount of government assistance that can be given to this sector.

COSTS AND RENTS

(indices)

	Building costs	Cost of living	Prime office rents†
1969	100	100.0	100.0
1970	111	103.6	116.6
1971	126	111.4	125.0
1972	137	120.1	133.3
1973	153	129.7	150.0
1974	173	142.2	166.6
1975	187	156.7	183.3
1976	203	170.5	187.5
1977	222	179.8	208.3
1978	243	189.3	208.3
1979	267	197.3	250.0
1980	287	218.7	291.6

† Prime office rents in the Randstad based on mid-year estimates.

Support for small business

RISK CAPITAL

ADRIAN DICKS

LAST SEPTEMBER the Netherlands Central Bank, with the blessing of the Ministry of Finance, opened the way to *what could turn out to* be a profound change in the relationship between the Dutch banking system and *its* commercial customers. The authorities removed most of the obstacles that have in the past prevented Dutch banks from taking up *equity positions* greater than 5 per cent in non-banking companies. As a result Dutch bankers are beginning to see themselves as the venture capitalists who may yet come to the rescue of the country's hard-pressed small businessmen, starved of new equity financing from the stock market—or, indeed, anywhere else.

Under the new regulations a bank will still have to ask per*mission from the Central Bank* before buying shares in a non-banking company, but this will normally be granted provided that the holding remains a minority one, that the price paid does not exceed Fl 2.5m (£500,000) and that the bank *undertakes at the outset* not to retain its holding longer than five years.

The authorities' new policy stemmed in part from the *realisation that*, between 1973 and 1979, Dutch industry had come to rely increasingly on *debt rather than equity financ*ing. By one estimate the proportion of debt in the capital structure of companies quoted on the Amsterdam Stock Exchange rose from 62 per cent to 73 per cent.

What was a problem two years ago for relatively large quoted *public companies* was, the authorities believed, a still greater one for smaller businesses. It was (as the scale of *maximum permitted equity in*vestment suggests) for their benefit that the big Dutch banks were given the opportunity to break with tradition by putting up risk capital.

The banks had not been entirely insensitive in the past to the difficulties faced by smaller companies. During the later 1960s and 1970s they had become more accustomed to making medium to long-term loans to business clients. During the past couple of years of deepening recession they are widely acknowledged to have improved the financial structure for many small businessmen by persuading them to convert overdrafts into longer-term debt.

A couple of earlier attempts were made too to channel equity investment from the banking system into industry. As long ago as *1948 some three* dozen of the biggest commercial banks, merchant banks, insurance companies and other financial institutions set up the Nederlandsche Participatie Maatschappij (NPM) with an initial capital of Fl 13.5m. The *company*, whose assets were valued at Fl 174m at end 1980, has taken part in no fewer than 240 financings *with an aggregate* value of over Fl 300m.

Concentrated

Yet its figures show that it has concentrated on a market composed of companies considerably larger than those at which the new relaxation of the Central Bank's rules is aimed. Some 85 per cent of the NPM's investment was worth Fl 7.5m apiece *or more, although the* average 30 to 40 per cent holding it has usually taken up would probably not be out of line with what most banks *which have thought* about the matter at all plan to hold in the small companies they have now been given the opportunity to help.

A *second channel set up in* the early 1970s was Risiko Capital Nederland. Here again the participants were seven large banks. The idea was that by each subscribing 5 per cent of a new company's equity (the upper limit previously allowed *by the authorities) up to 35* per cent could be placed. In the event the venture seems to have failed most of the hopes placed in it.

Quickest off the mark after the new guidelines were issued was Nederlandsche Middenstandsbank. Indeed the bank claims credit for the shape of *the new regulations* which, its management had long been arguing, were urgently needed to help the "Middenstand", or "middling-sized" business clientele it had originally been set *up to serve. Within four* days of the official announcement the bank had established a venture capital subsidiary, NMB Participatie, and had endowed it with an initial paid-up capital of Fl 10m — plus a handful of *enthusiastic young* managers it has installed, perhaps with conscious irony, in a small private house beside the bank's own towering concrete headquarters *in the outskirts* of Amsterdam.

Mr A. M. E. van Dishoeck, assistant manager of NMB Participatie, recalls that when the company first opened its doors it was overwhelmed with *businessmen looking for solu*tions to their financial difficulties and even by one or two receivers hopeful of disposing of problem companies *on their hands. All were turned* down.

The company has, however, picked out about half-a-dozen of the proposals put to it and is close to completing its first deal.

NMB Participatie is interested *in investing in three* categories of small business: young entrepreneurs starting their own companies; established companies looking for *financing to carry out expansion* programmes or to add new products; and family companies facing financial difficulties brought about by a proprietor's withdrawal *of* his capital.

Among the "cases" it has accepted is at least one in each of these categories.

Mr van Dishoeck insists on *the need for any entrepreneur* whom the company helps to take his own decisions. His company "cannot and must not be a subsidiary of the bank," which *in any case has no wish to try* to use a minority holding as a means of influencing developments. NMB Participatie does not plan to buy more than 30-*35 per cent on* average in any of the companies, partly to leave as much room as possible for their founders to bring in other outside investors through their own efforts and partly in order to leave scope within the ceiling of the new guidelines for future capital increases. With the full support of its parent bank, companies which receive equity financing will be encouraged to reinvest the profits *rather than weaken a growing* company's financial base.

For the time being NMB Participatie does not wish to identify the recipients of its first investments, or even define precisely the sectors they are *engaged in. But it is convinced* that venture capital in the Netherlands is an idea whose time has come. As the country's big manufacturing companies, *like* their counterparts elsewhere, are forced to lay workers off, there is a good deal of evidence that small companies are taking up an impressive number of surplus workers. Since 1970 no fewer than 53,000 new companies have been *formed* in the Netherlands, creating together 265,000 new jobs.

NMB is not alone among the big Dutch banks in setting up a venture capital company. Yet its example has been followed, even before it has had time to prove itself, not so much from any feeling on the part of the banks that small companies deserve their sympathy as from the conviction that they will turn out to be good business.

ECONOMIC VIEWPOINT

Conscience money: or aid instead of trade

NOT LONG ago I was at a "shadow summit" held near Montreal in which an independent group went over the issues to be discussed by heads of government of the main industrial countries at the real Western Economic Summit in Ottawa on July 19. It is not giving anything away to say that the Canadian representatives pressed for a major increase in overseas aid.

Unfortunately I could not help noticing that the first item in the news that very same day was that the Canadian Government had imposed quotas on a new batch of imports from the less developed countries (LDCs) and introduced subsidies for domestic industries affected by their competition.

I was tactless enough to draw attention to this discrepancy and ask whether the calls for aid were not "conscience money" in the circumstances. My observation was unfair only because it was an accident that the Canadian Government had announced quotas on that particular day. It could have been almost any of the other summit governments.

North-South issues are very much in the news. They were discussed in London by the National Economic Development Council (NEDC) yesterday. They will figure on the agenda at Ottawa and be pushed prominently by the French and the Canadians. There is to be a meeting of North-South heads of government in Mexico in October, to consider among other things the Brandt Report. This is a meeting which some of those attending wish very much had never been arranged; but they fear even more the public relations consequences of not attending.

But it is difficult to nail the fallacies in Brandt as the recommendations point in so many different directions. Moreover the North-South lobby has succeeded in establishing an atmosphere in which anyone who has doubts about Brandt is made to seem indifferent to poverty or suffering. The foreign ministries of the West have tended to be more pro-Brandt than economic ministries, mainly because they believe it will help politically with relations with the Third World.

Some of the Brandt recommendations are extremely vague, such as "joint efforts to restore international monetary stability." Others will occur in any case if the international price structure warrants them and there is sufficient security against expropriation, such as "investment in oil and natural gas in Third World countries."

Yet others are perverse, such as commodity price stabilisation schemes—which are polite ways of describing cartels which discriminate both against consumers and new producers. As for increased "aid," it is very much a matter of who receives it, what it is used for and its side effects. As Professor Peter Bauer points out, a Swiss proposal to provide official funds for the International Development Association was heavily defeated in a referendum. Yet at the very same time, Swiss citizens voluntarily contributed large sums for earthquake victims in Italy, as well as to many Third World charities. (*Equality, the Third World and Economy Delusion*. Weidenfeld, 1981.)

The Confederation of British Industry (CBI) is surely right in its NEDC paper to complain about Brandt's "emphasis on establishing new international institutions and on the massive transfer of resources to LDCs, neither of which alone would be likely to prove a decisive solution to the problems of development. The Brandt Commission puts too much faith in the activity of governments and international institutions and under-values the scope for action by business enterprise. A major weakness is that it makes no attempt to analyse how some LDCs which are not well endowed with natural resources have been so much more successful than others."

The statistical comparisons between countries with widely varied economic structures are notoriously treacherous. But contrary to popular belief, they do not support the idea of a growing North-South gap. As the table shows, up to 1973, in the halcyon period of growth in the West and Japan, development was even faster in the poorer countries. In 1973-79—the cycle following the first oil crisis—growth rates in the developed world fell by nearly a half, while in the developing countries the growth rate was almost maintained. A very similar pattern is being experienced in the post-1979 cycle.

Nor is it true, taking the developing world as a whole, that the growth of output has been offset by rising population. World Bank estimates show that GDP per capita has been rising faster than in industrialised countries since about 1970.

The relatively favourable experience of the developing countries covers much individual diversity. Growth rates in East Asia and the Pacific have been two or three times as fast as in Africa and southern Asia. But Nigeria has done quite as well as the top group of developing countries, while Mozambique, Angola and Equatorial Guinea had negative growth rates throughout the 1970s. In Asia, Korea has had the most spectacular growth rate, while in Bangladesh the growth of output fell behind the rise in population.

Even these few examples show the folly of any simple division of the world between north and south, or developed and undeveloped. There are countries such as India with growth rates comparable to the developed countries, but where living standards are rising much less because of population growth. Then there are the star performers among the newly industrialising countries ("NICs"). They include Singapore, Hong Kong, Taiwan, South Korea—and in Latin America—Brazil and Mexico

In Professor Bauer's words: "The West can contribute to Third World Development best by reducing its barriers against Third World exports. The damaging results of these barriers in restricting markets and external contacts are compounded by frequent and unpredictable increases in their scope and severity. The threat of increases in trade barriers, when some Third World industries expand their exports, inhibits productive investment, exacerbates unemployment and retards the spread of skills. Substantial reduction of these restrictions, together with assurances that they would not be increased, could much accelerate material progress in those Third World countries . . . in which the domestic determinants of economic achievements are favourable."

Herr Willi Brandt: his report makes too many concessions on access to western markets.

The Brandt report, while full of proposals for new institutions and financial gimmicks, makes too many concessions on the all-important question of access to western markets. For instance, it calls for "fair labour standards to prevent unfair competition," without explaining how countries with radically different wage levels have been able to trade to mutual benefit for centuries. If unfair wages or conditions are a ground for discrimination, then British goods should be denied entry to many countries, as British wages are scandalously low (because national productivity is low) by comparison with North America and many parts of Europe.

One vein of argument in Brandt, echoed particularly by the French nowadays, is that purchasing power should be injected into the Third World as a back-door method of stimulating the economies of the West. This form of self-deception is similar to the campaign for more nationalised industry investment in the UK. If demand can be stimulated without being dissipated in higher inflation, it can be done just as safely by tax cuts or easier money for British, French or German citizens as it can by fancy schemes for foreign aid or so-called infrastructure investment at home. The North-South lobbyist behaves like the preacher who urges people to give to charity as the best means of ascending to heaven themselves.

Another fashionable argument relies on the heavy oil bills of the LDCs. After the 1973-74 oil price explosion, we had a similar scare about the inability of the banks and capital markets to "recycle" funds from surplus to deficit countries. This time, as last time, the OPEC countries are surprising the prophets by their ability to spend their surpluses, while the deficits of the non-oil developing countries are no higher on a properly inflation-adjusted basis than they were in 1975—and likely to narrow considerably.

GROWTH OF REAL GDP

(Compound annual growth rates)

	1960/1973	1973/1975	1975/1979	Estimate 1979/1981	F'cast 1981/1985
World	5.5	1.5	4.4	2.1	4.0
Developed countries	5.0	0.1	4.1	1.4	3.3
U.S.	4.1	−1.1	4.5	1.1	3.0
Japan	10.4	0.5	6.0	4.0	5.0
Europe	4.8	0.7	3.4	0.6	3.0
Germany	4.5	−0.7	4.0	0.4	2.8
Developing countries	6.1	4.1	5.7	4.3	5.8
Centrally planned economies	7.2	5.6	5.8	3.5	4.7

Source: World Economic Outlook, Wharton.

There are problems about the over-exposure of international banks in a small group of developing countries. But this should be treated as a banking and political problem, and not an excuse for worldwide interventionism and inflationary finance, which are likely to be even less successful than the national varieties.

My own approach would be to minimise trade barriers against the Third World. It would help in doing so if European Governments and industrial spokesmen did not lump together in their propaganda (a) imports from developing countries, (b) from Japan, and (c) any other successful low cost producers, such as the United States. It is seldom realised that the UK had last year a surplus of £1.5bn in trade in manufactures with the main 23 newly industrialising countries.

Any political pressure that is extended should be towards dismantling the tariffs and restrictions which even some of the most prosperous NICs still impose. The need for them to have Generalised Preferences, designed for much poorer countries, could also be re-examined. If domestic political pressures in Europe make quotas unavoidable against some imports, the NICs should be the last rather than the first to be restricted. Moreover, such quotas should be negotiated through GATT, where they can be subject to some sort of rule of law, rather than imposed bilaterally in a hole and corner way.

For the very poor countries, where domestic conditions for growth do not exist, the emphasis should be for the relief of poverty and hunger. Cash or food should be handed over as directly as possible to the poor and hungry and not diverted to grandiose schemes of Third World Governments or to the numbered bank accounts of their rulers. The relief of poverty should be undertaken for its own sake and not because of the false belief that it will stimulate growth in the West, prevent a Third World War, or provide any other miraculous route to heaven.

Samuel Brittan

Letters to the Editor

Improve the message

From Mr E. Gow

Sir,—The latest outburst from the CBI on the need for severe restraint on the next round of wage awards might have more credibility if it explained why wages restraint was so important.

The average employee on the shop floor is probably vaguely aware that productivity is linked to his employer's ability to pay him.

What CBI is really on about is effective labour costs and it should explain what that means ie in simple terms explain that productivity is made up of volume, quality, capital investment, innovations and the acceptance of change. It also needs communication and motivation.

Let us also be mindful of the fact that labour costs, in isolation, can be something of a red herring. The Government's energy price policy is a debilitating factor to industry in general, and also the lack of control on fixed overhead costs provides us with considerable scope to improve unit costs, and that really is what we are talking about.

E. Gow.
9 Valence Tower,
Regents Gate,
Bothwell,
Glasgow.

Protecting Lloyd's

From Mr N. Parker

Sir,—Mr Richard Edmunds (June 25) quite rightly states: "It is with the most profound gloom that one must view the current state of the Lloyd's Bill."

As petitioner, however, I must emphasise that it was not my original intention to wreck the Bill. On the contrary, my co-petitioner and I have pursued every possible means to settle matters within the existing framework of Lloyd's, but the Bill's promoters have consistently taken an attitude that can only be described as totally inflexible.

Mr Edmunds continues: "Lloyd's of London is a priceless national asset and it could have been hoped that the legislators and all others involved in looking to the future might have made strenuous efforts to protect and enhance the institution." Protection and enhancement of Lloyd's are precisely the aims of our petition, copies of which are available to interested parties.

N. Parker.
56, Curzon Street, W1.

Workers' co-ops

From the Director of Operations, Job Ownership

Sir,—In his otherwise judicious (if somewhat patronising) account of the state of workers' co-ops (June 26) John Elliott surely did not intend to endorse the negative assessment of the Mondragon co-operatives which he quotes from the Royal Arsenal Co-operative Society (RACS). The assessment was that their stunning achievements were "ephemeral while they are at the mercy of an anarchic profit seeking economy"; precisely the kind of view to be expected from the RACS which is joylessly dismissive of any arrangements which permit the survival of a pluralist mixed economy. But it is hard to believe that John Elliott really meant the endorsement which his article implied.

His apparent endorsement is misleading in another way. For it conceals the crucial fact that these Basque co-operatives are continuing in the current recession to out-perform their conventional—capitalist—counterparts. While unemployment across the Basque provinces averages about 15 per cent, the co-operatives have so far managed to avoid declaring a single redundancy. An even more striking testimony to their comparative strength is provided by the fact that more than 100 conventional Basque firms have asked if they can be turned into Mondragon style co-ops over the past two years. In only three or four cases, however, have these enterprises and their workers been able to satisfy the very tough conditions upon which Mondragon insists if it is to underwrite a workforce buy-out.

Just as the negative evaluation of Mondragon by the RACS is entirely predictable, ideologically-based (and to that extent essentially uninteresting) so is the emphasis which it places on Basque nationalism in its explanation of the achievement. Of course that has played its part. But whatever the research methods of the RACS, John Elliott should surely be aware of the recent studies of Mondragon worker attitudes carried out by Dr Keith Bradley of the London School of Economics. These studies indicate beyond any possibility of doubt that the actual workers in the Mondragon enterprises value the fact that they are co-ops more than the fact that they are Basque.

It is easy to see how hard it is for people like the RACS to accept that the Mondragon workforce actually favours the ownership of the means of production which has been evolved there. But it is really bad news if people like John Elliott are unable to accept it either. It is also in my view deeply misleading to suggest that there is any real similarity between an enterprise like the late Kirkby Manufacturing and Engineering—an example fundamentally of government-funded syndicalism—and the Mondragon co-ops. Let there be the widest debate about which of these two forms—government-funded syndicalist enterprises or Mondragon co-ops—is likely to be more successful and is likely to respond more or less closely to the real aspirations of working people. But do not let it be implied that these two enterprise species are more like than unlike each other.

Robert Oakeshott.
42/44 Hanway Street, W1

Business cycles

From Mr J. Wilkinson

Sir,—Academic economists (and others) are driving me frantic with uneducated comments on "the business cycle." The Tower of Babel confusion about whether we have passed the bottom of "the business cycle" or not is due to the fact that everyone is talking about different aspects of the business cycle. Also, is the bottom of the cycle V-shaped, or U-shaped, or W-shaped, or L-shaped, etc.

The "business cycle" in manufacturing industry turns up in the following sequence: UK order bookings—these turn up first—this graph is V-shaped; it bottomed in December, 1980. The main cause of the V-shape is de-stocking followed by re-stocking; increased production; and increased deliveries. This graph is U-shaped.

In terms of employment the time sequence is: reduced short-time working; increased overtime; and increased employment. The upturn here can be 9-12 months after the upturn in order bookings. On the basis of the following statistics, one can expect unemployment to start falling in (say) October, 1981.

UK registered unemployment (excluding school leavers)—seasonally adjusted

1981	Unemployed 000's	Change month on month 000's
Feb.	2,304	—
March	2,381	+77
April	2,452	+71
May	2,515	+63
June	2,553	+38

The confusion is worse confounded by the fact that different industries have different time cycles: e.g., machine tools differ from consumer products. All my comments refer to the four-to-five-year cycle.

J. Wilkinson.
8, High Piece Crescent,
Over, Cambridge.

Economic forecasts

From Mr T. Ward

Sir,—Considerable coverage has been given in the national press to the latest London Business School (LBS) economic forecast, which predicts a sustained recovery in output and little further rise in unemployment from now on. In view of the uncritical way in which this prediction has been generally reported, it seems in order to set out the LBS's recent forecasting record with respect to industrial production and unemployment.

Successive LBS forecasts of industrial production for the first quarter of 1981 and of unemployment for the second quarter of 1981

Forecast made at:	Industrial production 1st quarter 1981 (Index. (1975=100)	Unemployment 2nd quarter 1981 (GB. 000s
Nov. 1979	109	1,450
Feb. 1980	109	1,790
June 1980	107	1,805
Oct. 1980	106	1,979
Actual	98	2,410

This shows that the LBS not only failed to foresee the scale of the present recession but has been slow to revise its forecasts of production and unemployment as events have unfolded. Thus, just over 18 months ago, in November 1979, the LBS was predicting that the level of industrial production in the first quarter of 1981 would be 11 per cent above what it has turned out to be and that unemployment in the second quarter of this year would be almost 1m lower than the actual outturn. Even a year later in October 1980, the LBS was still forecasting a level of industrial production 8 per cent too high and a level of unemployment 430,000 too low. This record hardly inspires confidence in the LBS view that sustained recovery is in prospect.

By contrast the Cambridge Economic Policy Group has correctly foreseen the character of the present recession since the first Conservative Budget. In April 1980 our forecast was that unemployment would exceed 2.5m during the course of this year and would go on increasing under present policies.

Though we agree there may be a temporary check to the downward slide in economic activity as de-stocking slows down, we are still unable to see any forces likely to generate a sustained recovery in the longer term. Far from the recession being over, our view remains that it has only just begun and that it will continue until there is a major change in policy.

Terry Ward.
Department of Applied Economics,
University of Cambridge,
Sidgwick Avenue,
Cambridge.

Nuclear reactor construction

From Mr P. Vinter.

Sir,—The report (June 25) about the National Nuclear Corporation indicates that the Government is putting the cart before the horse and will repeat the unhappy mistakes of its predecessors.

As a nation we have not yet succeeded in setting up an effective nuclear reactor construction company. Today we still have the rivalries and partisanship which were only too evident 10 years ago during the enquiry by the working party on reactor choice of which I was chairman. These jealousies were also apparent in last February's report of the Parliamentary Energy Committee. True our working party recommended establishing one company in place of two warring groups without a future and this was done. But it has not done the trick.

The long continuation of the impasse strongly suggests that appointments will not at this stage produce a remedy. Company structure, an effective role for management and finance must be dealt with first; appointments follow later. Without this we shall only see more short-term shifts and stratagems.

The prospect is so serious as to justify the Prime Minister taking a hand: she would need a quick and thorough enquiry by someone with the relevant experience of nuclear construction, supported by CPRS. There are such people not now connected with the rival companies and other groups concerned.

The enquiry should look forward and avoid the temptation to apportion blame for the past: there has been a national failure and it does not now matter what Ministers, Whitehall, companies or national agencies have done in the past. We are going to need a great deal of nuclear energy in the 1990s and early 2000s and it is not too soon to get an effective company set up.

Happily I can end on a more hopeful note: the failures described above are in marked contrast to the very real British successes with nuclear fuel, radiochemicals and the operation of the nuclear reactors we now have, without which electricity would cost up to one-fifth more than it now does.

Peter Vinter.
3 Sunnyside,
Wimbledon, SW19.

GENERAL

UK: Council of Civil Service Unions meets to discuss pay inquiry.

Confederation of Shipbuilding and Engineering Unions conference continues, Ayr (to July 3).

National Union of Railwaymen's conference continues, St. Andrews (to July 10).

Princess Anne opens Avon Cosmetics new factory, Northampton.

National Education and Training exhibition and conference opens. National Exhibition Centre, Birmingham (to July 4).

Overseas: Prime Ministers of Comecon countries meet, Sofia.

Today's Events

The Queen Mother begins six-day visit to Canada.

PARLIAMENTARY BUSINESS

House of Commons: Motions on the Northern Ireland (Emergency Provisions) Act 1978 (Continuance) Order and on the Northern Ireland 1974 (Interim Period Extension) Order.

House of Lords: Social Security Bill, third reading. Representation of the People Bill, committee and remaining stages. Transport Bill, report. Indecent Displays (Control) Bill, third reading. Countryside Scotland Bill, third reading.

OFFICIAL STATISTICS

UK official reserves for June. Capital issues and redemptions (during the month of June). Housing starts and completions in May.

COMPANY MEETINGS

Altifund Income, 2 St. Mary Axe, EC, 12.00. Bremner, 44 Glassford Street, Glasgow, 10.30. British Inv. Trust, 45 Castle Street, Edinburgh, 12.15. Combined English Stores, Institute of Directors, SW, 12.00. Fine Art Developments, Queen Street, Burton-upon-Trent, 4.00. Guardian Inv. Trust, 122 Leadenhall Street, EC, 12.00. Highcroft Inv. Trust, The Rose Revived, Newbridge, Oxon, 12.00. Manor National Group Motors, Hathersgate Road Corner, Oxford Road, Manchester, 12.00. Mellins, 124 Seymour Place, W, 12.00. Norvic Securities, St. George's Plain, Norwich, 3.00. Pyramid Group (Publishers), Hilton Hotel, W, 10.00. Turiff Corp., Budbrooke Road, Warwick, 3.00. UBM Group, Avon Works, Winterstoke Road, Bristol, 12.00. C. and W. Walker, Malinslee, Telford, Salop, 12.00.

Granada improves midway and optimistic for year

TAXABLE PROFITS of Granada Group advanced from £22.9m to £24.44m for the 28 weeks to April 11 1981 and the directors predict that if trading continues as at present, the improvement for the current year as a whole over 1979-80 will be rather greater—for the year to September 27 1980 pre-tax profits were £42.49m.

Turnover for the 28 weeks was ahead at £190.95m, compared with £168.71m.

The taxable surplus was struck after depreciation and interest charges, which rose by £1.93m to £25.71m.

Tax took £13.51m (£12.27m) and after minorities of £162.000 (£126.000) the attributable balance emerged at £10.77m (£10.5m).

Stated earnings per 25p "A" share were slightly lower at 6.52p (6.73p) but the net interim dividend is being stepped up from 1.584p to 1.75p—last year's final was 2.766p.

The group's principal activities are television and video equipment rental, IBA television contracting, production of TV programmes, property investment and development, hardback and paperback book publishing, music publishing, bingo clubs and cinemas, motorway services and insurance.

Net profits of Barranquilla Investments, 67.75 per cent-owned by Granada, improved from £482.000 to £530.000 for the 28 weeks after tax of £574,000 (£521,000). Turnover also advanced, rising from £1.29m to £1.45m.

Stated earnings per share were 64.2p (58.3p).

A major refurbishment of the company's property at Finsbury Square, EC2, providing for 70.000 sq ft of air-conditioned offices, is scheduled to be completed by the end of November this year.

HIGHLIGHTS

Lex looks at the aftermath of the now lapsed bid by Berisford for British Sugar and considers the options open to Berisford which ends up owning 38 per cent of BSC. Granada's interim profits are only slightly up from £22.9m to £24.4m pre-tax after a higher depreciation charge. The column then looks briefly at another corporate casualty, Norvic, where a receiver has been appointed. Finally Lex comments on General Accident's decision to freeze its motor premiums.

Lex, Back Page

Extel raising £4.4m by rights

EXTEL, the printing, advertising and information services group, proposes to raise £4.39m by way of a rights issue on the basis of one new share at 176p for every four held on June 26, 1981.

The company, which recently announced a 15 per cent rise in pre-tax profits to £3.58m for the year ended March 31, 1981, is seeking to strengthen its balance sheet as it continues to review opportunities for new investment.

The directors point out that over the last three years, the company has spent £5.85m in cash on acquisitions and incurred total capital spending of £8.75m.

Net borrowings, which tend at times during the year to be high due to the cyclical nature of certain of the group's businesses, amounted to £3.98m at March 31, 1981 compared to a net cash position of £0.42m three years earlier. The net proceeds from the issue will be £4.22m.

Capital investment has been directed into two principal areas. Burrup, the group's printing subsidiary, and Extel-PA Show, which provides a video display system for the dissemination of racing information and other sports results.

In March, 1979 the acquisition of Royds Advertising helped the group's advertising business to establish itself among the leaders in the field. The purchase of 60 per cent of Digital Microsystems last December reinforced the group's involvement in high technology businesses. Digital designs, manufactures and sell microcomputers.

No profit forecast is made with respect to the current year but the chairman says in his statement in the annual report, which was also published yesterday, that he believes the group will prove strong enough to keep moving forward, especially when the business climate improves.

The directors expect at least to maintain the dividend of 8p per share on the enlarged share capital this year.

An extraordinary general meeting is to be held on July 17 to approve an increase in authorised share capital and to approve the introduction of employee share schemes under the 1978 and 1980 Finance Acts. Dealings in the new shares are expected to begin in nil paid form on July 10. The final date for acceptances is August 7.

The issue has been underwritten by Hill Samuel and brokers to the issue are Hoare Govett.

● comment

Extel is not saying much about what it plans to do with the £4.22m proceeds of its first-rights issue in memory. It wants to continue to develop all its businesses; printing, advertising, information services and computing equipment, and if it can maintain the kind of growth rate in profits achieved in the past five years, shareholders will be pleased they subscribed for their rights. Profits before tax have grown from £984,000 before tax in 1974-75 to £3.58m last year and the shares have risen from a low of 33p in 1975 to a high earlier this year of 225p. The chairman's cautious statement on current prospects suggests that profit growth may ease this year. Financial and recruitment advertising is still dull and the printing division is unlikely to repeat the spectacular improvement in its contribution. Still, there should not be much if any reduction in earnings per share. The prospective ex-rights yield at 203p, down 9p, is 6 per cent.

DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Arana	3	Oct. 3	2.5*	5	4.17*
Bett Brothers ......int.	1.2	Aug 17	1.2	—	3.1
Brit. Cinematograph ...	2.1§	—	2.1	2.1	2.1
Burns-Anderson ......int.	0.6‡	Aug 19	0.6	—	1.4
Granada Group ......int.	1.75	Oct 1	1.58	—	4.35
Jacksons Bourne End ...	3	Oct 1	3	5	5
Robert Kitch. Taylor int.	3	July 31	3	—	10
Stead and Simpson	2.5	Aug 5	2.25	3.5	3.25
Technology Inv. Tst. ...	2.7	Aug 20	2.6	4.3	4.46¶
J. W. Wassall	Nil	—	0.48	Nil	0.68

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ Nine-month period. § Dividend given yesterday as 1.47 because of agency error. ¶ Includes special payment of 0.36p.

LEP GROUP

The directors of the LEP Group, international freight forwarder, anticipate that pre-tax profits for 1980 will be between £5m and £5.2m. The pre-tax profits for 1979 were £6.53m from turnover of £62.04m.

Interim loss at Robert Kitchen Taylor

THE INTERIM report from knitwear manufacturer Robert Kitchen Taylor and Company shows that in the six months to March 31 1981 the company incurred a pre-tax loss of £147,000 compared with a profit of £352,000 in the same period last year. Turnover increased from £6.58m to £7.21m.

In the year to the end of September 1980 pre-tax profit was £638,000 on turnover of £15.4m.

The 3p interim dividend will be maintained—last year's total was 10p. Stated loss per 10p share is 2.9p against earnings of 5.7p.

The directors say that substantially fuller order books indicate a return to profitability in the second half. They attribute the loss in the first half to tighter stock positions maintained by the store trade.

The company received a tax credit of £18,000 against a debit of £141,000 and minority interests contributed £17,000 compared with a debit of £13,000. Adding a credit from extraordinary items of £324,000 (debit £34,000), the attributable profit came through at £212,000 (£164,000).

The extraordinary items were a credit of £334,000 from the EGM settlement and other debits totalling £10,000.

● comment

Robert Kitchen Taylor has not shown the flexibility necessary to withstand the trials of its sector. Although it has maintained its interim dividend at 3p and its share price remains stable, there would have been a loss at the attributable level were it not for a £334,000 extraordinary credit from a favourable court settlement on a claim by two shareholders in 1979. Orders in the woollen and merchanting divisions have dropped back dramatically, while the hoped-for surge in property activities has not materialised. The company says it has £1m in orders for woollens at its Leicester plant and is optimistic about a return to profits in the second half. Since RKT's merchanting dividend turns over its stocks some 10 times a year, the company should be fairly well positioned to adapt quickly to High Street needs. But the historic yield of 11.42 per cent at 128p indicates some uncertainty as to whether the final dividend will be maintained.

Fredk. H. Burgess

Taxable profits of Fredk. H. Burgess, the unquoted agricultural engineer, slumped from £1.92m to £245,104 in 1980 although turnover advanced by £6.46m to £83.11m.

For the first five months of the current year sales are slightly ahead of last year, but the directors warn that pressure on gross margins is intense. Costs, however, are "well under control."

Norvic Securities calls in Receiver

BY ALAN FRIEDMAN

Norvic Securities called in the Receiver yesterday, but the company has been on a rocky road for most of the past decade. With its group borrowings approaching £4m Norvic has been wrestling with a capital gearing level of more than 200 per cent.

Its recent prediction of a first half loss of around £400,000 seems to have come true, and things appear to have been getting worse.

The company was originally incorporated in 1935 as Norvic Shoe and was quoted on the London Stock Exchange until 1971. In August 1971 Mr Christopher Selmes, the former "whizz-kid," made an offer for the whole of the share capital of the business through Drakes, a vehicle he headed at the time.

Then, seven months later, the assets and business of the Drakes Norwich shoe retail operation were sold for 2.9m to William Timpson. Timpson agreed to buy footwear which was manufactured by Norvic Shoe for a period of three years and Mr Charles Metcalfe, a former associate of Mr Selmes and the current chairman of Norvic, took over as chairman and chief executive.

In June 1972 Norvic Securities was refloated on the stockmarket with an issued share capital of £498.000 in ordinary 10p shares.

Mr Metcalfe continued to run Norvic until December 1975 when Sir Desmond Lorimer—chairman of the investment and engineering group Lamont Holdings—took over as chairman. Sir Desmond brought with him Mr Tony Buckley who had been the managing director of Slater Walker Securities until a few months before.

At the same time Mr Metcalfe was shifted into a positon as chief executive with responsibility for shoe subsidiaries.

But 1976 profits at Norvic were hit by a special £260,000 provision above the line. This item concerned losses on disposals and investments held for dealing. The results were released in March 1977 and coincided with the departure of Sir Desmond Lorimer as chairman.

Mr Metcalfe again became chairman of Norvic.

The group carried on trading through the late 1970s, with its pre-tax profits falling steadily from £257,000 in 1976 to £215,000 in 1977 to £115,000 in 1978.

There was a small upturn to £144,000 in 1979, but last year the group produced a pre-tax loss of £1.8m, amid sharp reductions in the workforce and a variety of cost-saving efforts.

The 1980 losses at the attributable level amounted to £2.5m and the company appeared to be on the brink of receivership. Sales had fallen from £16m in 1979 to £12.3m last year. Borrowings represented 200 per cent of shareholders funds.

In February the company asked Barclays Bank, its banker, for extra temporary finance of £750,000 to cover stock for the pre-Easter period. Barclays wavered until two MPs—Mr David Ennals and Mr John Garrett—met the parties concerned and asked the bank to help Norvic.

Barclays agreed to the rescue, but the company's order level has remained too low. Now, five months after the rescue, the MPs still defend their intervention and the Barclays aid as a way of preserving jobs and keeping the company going.

Mr Metcalfe was unavailable last night, closeted in meetings with the receivers.

Downturn at Bett Brothers

TAXABLE PROFITS of Bett Brothers, the building and public work contractor, slipped from £1.02m to £0.92m for the six months to February 28 1981 and the Board warns that the full year figure is expected to show a reduction from £2.26m to around £1.75m.

First-half turnover was little changed at £9.7m (£9.93m) but the year's result is likely to be some £4m lower in the region of £16.5m (£20.5m).

However, the interim dividend is being maintained at 1.2p net per 20p share—last year's final was 1.9p.

Tax for the half year took £476.583 (£530.256) giving a net balance of £439.923, compared with £489.494.

Jacksons Bourne End profits fall

Pre-tax profits of Jacksons Bourne End, manufacturer of components, expanded polystyrene products and insoles, fell from £332,000 to £151,000 in the year ended March 31 1981 on turnover down from £5.62m to £5.05m.

At the half-year stage taxable profits of £54.000 (£149.400) were recorded and turnover stood at £2.73m (£3.01m).

The final dividend is maintained at 3p net per 25p share making a same-again total for the year of 5p.

The directors say demand remains depressed especially in the automotive industry—the main outlet for converted board and other products.

Profits were struck after £104,000 start-up costs of Jack Pack to manufacture multi-purpose modular buildings. Sales from this company started after the year end.

Property at Bourne End not occupied by the company's manufacturing unit has been revalued on a net realisable basis as at June 30 1981 at £3.4m, giving a surplus over book value of £1.2m after a £700.000 increase in the provision for tax.

Attributable profits emerged at £92.000 (£159.000) after tax of £79.000 (£157.000). Earnings per share are stated at 6.8p (16.5p) while current cost adjustments reduced taxable profits to a loss of £28.000.

RICHARDSONS WESTGARTH

The first reference to Richards and Wallington, where a receiver has been appointed, in yesterday's highlights column in the first edition was incorrectly stated as Richardsons Westgarth. As the share information pages show Richardsons Westgarth's shares are trading at 28p. We apologise for any embarrassment caused to the company.

KCA Drilling

The offer for sale of 20m shares of KCA Drilling at 95p a share has attracted 8,432 applications for only 13m of the 20m shares offered.

All applications have been allotted in full and the balance of the shares will be taken up by the underwriters Charterhouse Japhet.

VARTA INDUSTRIAL BATTERIES CO.

Varta Batterie AG has announced a new UK subsidiary Varta Industrial Batteries.

The new company was set up to deal more effectively with increasing market demands on the industrial battery division of Varta, and has been formed from this division.

Chairman of the new company will be Mr F. S. Law, CBE, who is also chairman of Varta and Varta Batteries.

SECOND CITY

Acceptances have been received in respect of 86.7 per cent of the 3.7m shares of Second City Properties offered in a one-for-four rights issue last month at 60p per share.

SPAIN

July 1	Price %	+ or −
Banco Bilbao	326	
Banco Central	365	−4
Banco Exterior	334	+4
Banco Hispano	303	−4
Banco Ind Cat.	123	−1
Banco Santander	387	−2
Banco Urquijo	223	−2
Banco Vizcaya	358	
Banco Zaragoza	243	−2
Dragados	208	−11
Espanola Zinc	86	
Fecsa	69.5	−7
Gal. Preciados	55	
Hidrola	75.7	−6.8
Iberduero	62	−5.5
Petroleos	127	−6
Petroliber	102	
Sogefisa	59	
Telefonica	67	
Union Elect.	69.5	−1

Marks & Spencer values UK properties at £820m

THE DIRECTORS of Marks and Spencer estimate that the total value of the group's UK properties is around £820m. This is based on the information revealed by a professional revaluation carried out during its last financial year, on a sample of 50 UK properties representing an estimated 60 per cent of the total value.

The directors have arranged that all properties owned by the group will be valued by March 31, 1982, at which time the valuations will be incorporated in the historical cost accounts.

Group properties are shown in the balance sheet, as at March 31, 1981, at £589m (£548.7m) with fixtures and equipment totalling £64.7m (£55.7m). Total assets were up from £830.9m to £947.5m and shareholders' funds rose by £48m to £597.8m.

As reported May 21, the group recovered the ground lost in the first half of 1980-81 to finish the year with pre-tax profits £7.54m higher at £181.19m, on turnover, excluding VAT, of £1.87bn (£1.67bn). Current cost taxable profit was £172m.

At the year end, the total operating area of the group's UK stores was 6.44m sq ft—net addition sales area opened in the year totalled 69,000 sq ft. The stores at Tottenham and Upton Park were closed during the period.

In Europe, the first stage of the new store in Reims was opened in November, with a sales area of 8.400 sq ft and the total operating area in Europe was 163,000 sq ft at March 31, 1981. In Canada, the figure at January 31, 1981 was 1.91m sq ft.

The remuneration of Lord Sieff, the chairman, increased from £64.077 to £78.331 during the year.

The group proposes to increase its authorised share capital in order to make way for a new savings related share option scheme for employees.

The response to the three previous profit sharing and share option schemes, according to Lord Sieff, has convinced the directors "that employee share schemes have an important role in your company and are to the advantage of both shareholders and staff." As a result the company intends to take advantage of the concessions in the 1980 Finance Act and introduce a new share option scheme.

Lord Sieff points out, however, that when the existing schemes were introduced the maximum number of shares that could be alloted was 5 per cent of the then issued share capital. This, he says, is not sufficient to meet the staff's "possible response to the new scheme and to cover the continued operation of the three existing schemes."

Accordingly, a resolution will be proposed at the AGM to increase the authorised share capital by the creation of an additional 100m ordinary shares. The number of shares which may be allotted under all employee share schemes will be increased to 129,800,000, which represents slightly less than 10 per cent of the present issued share capital.

Meeting, The Royal Lancaster Hotel, W, July 15, 11 am.

MID-KENT WATER

The offer for sale by tender by the Mid Kent Water Company of £3m in 9 per cent redeemable preference stock 1987 has been fully subscribed. The average price obtained was £97.266 compared to a minimum of £97.

Brokers to the issue were Seymour, Pierce and Co.

Good start made by Sainsbury

SIR JOHN SAINSBURY, chairman of J. Sainsbury, yesterday reported another good start to the current year.

Speaking at a packed annual meeting, he told shareholders that the group was currently experiencing "a most satisfactory increase in the volume of trade and customer numbers" over the same period a year ago.

Referring to the group's expansion programme Sir John said that the company's new store programme involves an investment of around £280m over the three years to March 1984.

The chairman said that this expenditure would be funded through the group's own resources "with no plans for a dilution of equity no need for costly borrowings."

Asked about Press reports concerning a bid by the group for the William Morrison Supermarket group the chairman said "it is news to me." He said there was no truth in the rumour.

TECHNOLOGY INV TRUST

Gross revenue of Technology Investment Trust fell marginally from £1.46m to £1.41m for the year to May 31 1981 and pre-tax profits also showed a slight fall from £1.35m to £1.31m.

Earnings per 25p share are stated at 4.34p (4.53p) and the dividend total is 4.3p (4.46p including special payment of 0.36p) with a final payment of 2.7p net.

At the year end, the net asset value per share stood at 208p (138p).

Fiat's 10% price cut hits Burns Anderson

BECAUSE of the change in the financial year of the holding company Burns-Anderson, it has announced interim results for the nine months to the end of March 1981. These show a pre-tax loss of £227,000 on turnover of £17.82m.

Although these figures cannot be compared to a previous period, pre-tax profits for the year to June 30 1980 were £1.02m on turnover of £28.18m. The last interim results announced were for the six months to December 31 1979 and showed a pre-tax profit of £367,000 on turnover of £15.65m.

An interim dividend of 0.6p per 10p share will be paid for the nine months. Last year's six-month interim was also 0.6p and the total dividend was 1.4p.

The directors say that the nine-month loss before tax reflects a write-down of Knibbs used car stock by £150,000 necessitated by Fiat Motor Company reducing the retail price of new vehicles by 10 per cent last December. Knibbs is the group's Manchester-based motor vehicle distributor.

There was an extraordinary debit of £152,000 attributable to closures which left a group loss after nil tax of £379,000.

The directors say that during the last nine month period the group has experienced extremely difficult trading conditions in all its activities (steel reinforcement suppliers, motor vehicles sales and service, office fitters and property development) and closures have been made.

"Despite these conditions all subsidiaries traded profitably, with the exception of the motor vehicle interests where trading losses have resulted in an overall deficit.

"Indications are that the motor vehicle market is now beginning to stabilise.

"No indication as to the level of the final dividend can be given at this stage and any decision by your Board as to its maintenance or otherwise will, of necessity, depend on trading conditions experienced during the remaining six months of the current financial period."

Avana Group expands to £5.45m

INCREASED second-half pre-tax profits at Avana Group of £3.45m—as against £2.77m—brought the figure for the year to March 28, 1981 up from £4.36m to £5.46m. Turnover for the 12 months advanced from £38.3m to £43.33m.

The final dividend is increased to 3p net (2.5p adjusted for one-for-five scrip) per 5p share making a total for the year of 5p (4.17p adjusted).

The directors of this Cardiff-based cake manufacturer, baker and confectioner say the results include those of Costa Rica Coffee Companies but no contribution from Robertson Foods which was taken over after the year end.

They say that with the acquisition of Robertson Foods it is already clear there will be sufficient new trading opportunities to ensure the enlarged group will make satisfactory progress over the current full trading year.

Competitive pressures on the food manufacturing industry continued over the last 12 months and the group's achievements were directly due to its ability to sustain a high level of new product development while taking maximum advantage of the capital investment of past years.

The venture into roast and ground coffee through the acquisition of Costa Rica Companies continued Avana's policy of always aiming at the top end of the market. The business will be developed through organic growth and acquisition, the directors say.

De L'Ora Fruit Juices enjoyed another record year and the start to the current 13 months indicates that it will be even better.

The attributable profit came out at £4.58m (£3.56m) after a provision for profit sharing of £270,000 (£197,890), tax of £604,091 (£585,005) and extraordinary profit of £197,097 (nil).

Earnings per share are stated at 17.67p (14.48p adjusted) while CCA profits before tax and interest came out at £3.59m.

● comment

The City has come to expect marvels from Avana, so it was scarcely surprising that the shares fell 7p to 293p yesterday when profits came in slightly ahead of an audited forecast made les sthan a month before its ear-end. Profits have advanced by about a quarter at the pre-tax level and, with Robertson under the belt, Avana should make £10m in the current year, leaving earnings well up even on the increased capital. The market for meat pies is likely to be affected by the horsemeat scandals but fruit juice wil do even better and Avana is taking a sharp knife to Robertson's costs. The cash in its own balance sheet roughly cancels out Robertson's borrowings and at least £2m could be generated this year by the disposal of unwanted businesses. With only a modest tax charge expected this year, the prospective p/e is about 12. This is not asking for the earth given Avana's balance sheet and its knack for making over 10 per cent of sales but it has yet to prove that it can obtain that sort of return on the volume businesses it bought through Robertson. The yield is only 2.5 per cent.

Richards & Wallington receivers appointed

MR MARK HOMAN and Mr Peter Padmore of accountants Price Waterhouse have been appointed receivers and managers of the crane hire group Richards and Wallington Industries and most of its UK subsidiaries, by a group of 24 of the company's bankers. Trading is continuing with a view to sales of the businesses as going concerns.

The appointments do not extend to the two 50 per cent owned bearing and slewing ring manufacturers, Rothe Erde (Great Britain) and Roballo Engineering, which were not a party to the debentures given to the banks under the terms of the recent debt reconstruction.

The receiverships also exclude the overseas subsidiaries, Richards and Wallington International BV and Franco Anglaise de Levage, both 50 per cent owned, although the receivers will control the group's investment in each company.

Mr Homan said yesterday that he had received several inquiries for parts of the group and negotiations were starting. He confirmed that the management of Record Tower Cranes — the profitable Potain crane sales agency — has been negotiating for the purchase of the subsidiary's equity although the consideration for the projected deal may be revised on an asset basis.

He said the reconstruction 10 weeks ago which appeared to safeguard the crane hirer's prospects, was based on the report and projections drawn up by the board and Price Waterhouse at about the turn of the year.

A much more recent report, however, indicated that an improvement initially projected for the summer months had not materialised and the board's revised forecasts for the rest of the year were more depressed than had been anticipated. The second report containing the board's proposals for continuing financial support was produced a few days ago but rejected by the banks. Richards and Wallington shares were suspended on Tuesday at 20p just before the announcement that the group had requested the banks to appoint a receiver.

Holt Lloyd dependent on home upturn

More buoyant trading conditions need to be experienced in the home market before Holt Lloyd International, car care products group, can be confident of exceeding its earlier record sales and profits levels, says Mr Tom Heywood, the chairman, in his annual statement.

Despite the problems of the past year, however, the group's international programme is going to plan and its underlying business remains strong, he states.

As reported May 7, pre-tax profits dropped from £5.03m to £3.27m on lower turnover of £44.85m (£50.03m). The failure to achieve growth was blamed on the recession, high interest rates and the exceptionally strong pound.

ASSOCIATE DEALS

Cazenove and Co. yesterday purchased on behalf of L. M. S. Industrial 51,500 ordinary shares of Cambridge Petroleum Royalties at 350p.

Also, J. Henry Schroder Wagg and Co., advisers to London Merchant Securities, sold 39,500 ordinary shares of Cambridge Petroleum Royalties at 349½p on behalf of associates.

UCM/ARAB ASIAN

Arab Asian Group of Bahrain has acquired 500,000 ordinary shares of United City Merchants at 40p and 175,361 units of 10 per cent convertible subordinated unsecured loan stock 1994-99 at 40p.

Yearling bonds total £13m

YEARLING bonds totalling £13m at 13¾ per cent redeemable on July 7 1982 have been issued this week by the following local authorities:

Great Grimsby BC (£0.25m); Kings Lynn and West Norfolk (Borough Council of) (£0.5m); St Helens Metropolitan BC (£0.5m); Fenland DC (£0.5m); Norwich (City of) (£0.75m); South Buckinghamshire DC (£0.25m); Wolverhampton (Borough of) (£0.5m); Liverpool (City of) (£2m); Dundee (City of) DC (£0.5m); Glasgow (City of) DC (£1m); Beverley BC (£0.5m); Dudley Metropolitan BC (£0.75m); Barnsley Metropolitan BC (£1m); Cynon Valley (Borough of) (£0.5m); Greater Manchester Passenger Transport Executive (£0.5m); Greenwich (London Borough of) (£1m); Highland Regional Council (£1m); Preston BC (£0.5m); Test Valley BC (£0.5m).

Stead and Simpson declines to £2.13m but pays 0.25p more

AFTER DECLINING from £1.97m to £1.15m at the interim stage, pre-tax profits of Stead and Simpson, the footwear retailer and motor trader, finished the year to end-March, 1981 £1.69m lower at £2.13m—a fall of over 44 per cent.

However, the directors are stepping up the net total dividend from 3.25p to 3.5p with an increased final of 2.5p, compared with 2.25p—at midterm they anticipated a same-again final.

Turnover for the year was higher at £36.42m (£35.08m), with footwear retailing increasing its share from £21.26m to £23.25m, a rise of some 9 per cent. Motor trading slipped by almost 5 per cent to £13.17m (£13.83m).

The attributable balance emerged at £1.54m, against £2.94m, after tax of £860,000 (£1.62m) and a profit from the sale of properties which amounted to £276,000 (£144,000).

Retained profits came through £1.47m lower at £535,000 after dividend payments of £1.01m (£936,000).

Stated earnings per 25p share fell back from 13.24p to 7.39p before tax and from 9.71p to 4.4p after tax.

A breakdown of taxable profits of the group, which has close status, shows footwear retailing down from £3.11m to £2m and motor trading at £123,000, compared with £701,000.

Current cost accounting reduces the pre-tax figure to £1.45m and on the same basis, earnings per share are given as 5.02p before tax and 2.04p after.

● comment

Although poor, Stead and Simpson's results do not compare unfavourably with the rest of the lacklustre UK footwear retailers. In volume terms footwear sales are marginally higher than last year thanks largely to the addition of new shops, but this has been achieved at the expense of margins with profits pared by about 36 per cent. The motor trading side looks less happy but this has borne the costs of moving two of its operations to new premises and contrasts with last year which was particularly buoyant. An additional factor depressing profitability was the switch from a net cash receivable position to a net interest paid of £175,000 this year. The funds were used to finance higher stocks during the year, now reduced to the same level as at last year end, and capital spending on increasing its shoe retail branch network and relocating some of the shops. There is no sign of an upturn in the demand for shoes but the company appears confident of a fairly swift recovery in the auto side, although not to last year's record level. The shares are supported by a yield of nearly 10 per cent on yesterday's 53p while the 28 per cent shareholding by John Blundell, a subsidiary of UDS Group, gives a speculative touch. The p/e, fully-taxed, is a fairly lofty 14.5.

Bardon Hill 9% higher at £2.16m

ALTHOUGH TURNOVER was marginally lower at £18.6m, against £18.96m, pre-tax profits of the Leicester based Bardon Hill Group improved by 9 per cent from £1.98m to £2.16m for the year to March 31, 1981. At half-time, the taxable figure was ahead from £0.9m to £1.01m.

However, tax for the year took £902,000 (£356,000) leaving net profits down from £1.63m to £1.26m. Stated earnings per share dropped from 26.6p to 20.57p, but the dividend is being raised to 7.25p (6.75p) net with a final of 4.85p.

The group's activities cover quarrying, plant and crane hire and civil engineering and its shares are traded on the market made by MJH Nightingale and Co.

Mr J. G. Tom, the chairman, says he is confident that the company will continue to hold its position in extremely difficult conditions.

Sales in the quarrying division were £11.7m with profits of £1.92m. Over £1m has been invested in new plant and additional land has been purchased adjacent to the quarry.

Planning permission has been obtained for the extraction of stone from a further 13 acres of land at Bardon Hill and for expanded tipping areas, which will permit quarrying operations to continue for many years.

Mr Tom says the long-term benefits of planning permission at Bardon Hill and of the company's capital re-investment plans, together with action taken to control costs and restrict losses, should enable the group to move ahead profitably with any recovery in the economy.

The crane hire division met with several difficulties during the year, including a prolonged national crane drivers' strike, resulting in considerable losses. The plant hire side had a reasonable year. Sales in the division fell to £2.99m and profits dropped to £103,000.

In the civil engineering division, there was a recovery from a loss of £35,000 to profits of £207,000, on sales of £3.46m.

Emray lower despite expanding interests

AFTER-TAX profits of Emray, industrial holding company, fell from £162,599 to £96,516 in the year to end-December 1980. Group turnover increased by 45 per cent from £3.16m to £4.59m.

Mr Lionel P. Altman, the chairman, says the company continues to expand its interests. After less than a year, its financial services businesses, which now include leasing, lease broking, insurance broking, mortgage, life and pension facilities and tax planning, have steadily expanded and the rate of progress is accelerating and will continue, he says.

The chairman recently visited Zimbabwe where stocks of asbestos cobs were inspected, and an independent assessment value was not less than £230,000. His investigations of the company's interests in Zimbabwe proved very satisfactory, and he adds: "Even more satisfactory are the offers of joint development from large multi-national companies, in addition to our approaches to other substantial groups, concerning our mining interests, comprising not only of asbestos, but also chrome."

Technology Transfer Associates, an associate company, has been in action for some months, and the company currently awaits the decision on projects valued at over £41m.

The chairman says Emray has the option, as a result of an agreement entered into just before the year-end, to acquire 51 per cent of a home improvement concern in the London area. Payment for the acquisition would be by the issue of shares according to a formula related to net profits in 1981 and 1982. Estimated 1981 profits for that company are £200,000 and unaudited results for the first quarter were in line with its forecast.

Mr Altman says that in view of the company's progress and expansion he will be extremely disappointed if it were not in a position to pay a dividend next year. No dividends have so far been paid by the company.

At the year-end, net asset value per 5p share was up from 9.02p to 9.21p, and stated earnings per share were 0.69p compared with 1.17p.

Evered & Co.

Although Evered and Co. Holdings continued to make losses in the first quarter of the current year, Mr D. M. Saunders, chairman, told members at the annual meeting that directors' estimates for June indicated that the month's trading results would be very close to break-even.

He added that if the improvements seen in recent weeks continued, the entire group should move into a modest profit during the second six months of the year.

The group's restructuring programme had been largely completed, and the first step in an expansion plan was the acquisition of Bristol Diecasting, he stated.

RESULTS AND ACCOUNTS IN BRIEF

CHAMEBRLIN AND HILL (iron founder)—Results for year to March 31, 1981, reported May 22. Shareholders' funds £4.63m (£4.32m); fixed assets £3.77m (£3.67m); net current assets £1.19m (£983,512). Meeting, Walsall, July 24, at noon.

PREMIER CONSOLIDATED OILFIELDS (oil exploration group)—Results for year to March 31, 1981, reported June 9. Shareholders' funds £19.87m (£15.38m); fixed assets £5.38m (£4.2m); investments £6.73m (£9.88m); net current assets £9,32m (£3.85m); increase in working capital £5.47m (£3.38m). Meeting: 100 Old Broad Street, EC, July 23, noon.

BEECHWOOD CONSTRUCTION (HOLDINGS) — Results for year to March 31, 1981, reported June 17. Group shareholders' funds £3.74m (£3.57m). Fixed assets £2.82m (£2.76m). Net current assets £2.06m (£2.36m). Working capital decreased £370,791 (£1.26m increase). Chairman says civil engineering and well-drilling divisions have both made a promising start in first quarter of 1981, but figures from mechanical engineering side indicate that a full year loss is inescapable. Meeting, Swansea, July 23, noon.

DUNDONIAN (property development, natural resources and public services)—Results for year to March 31, 1981, reported June 3. Fixed assets £7.65m (£6.3m), net current assets £7.15m (£5.03m), shareholders' funds £11.9m (£9.02m), minority interests £1.49m (£0.3m). Meeting, Institute of Chartered Accountants, Moorgate Place, EC, July 30, 11.30 am.

BRITISH CINEMATOGRAPH THEATRES—Results for the year to January 31, 1981. Turnover £3.91m (£3.82m), excluding VAT. Pre-tax profit £20,120 (£96,238), tax £7,774 (£8,127), extraordinary debit £11,397 (£74,917 credit). Stated earnings per 12½p share 1.43p (9.04p). Net dividend 1.47p (2.1p).

UKO INTERNATIONAL—Results for the year to end-March, 1981, reported June 13. Net current assets £19.12m (£18.75m). Shareholders' funds £17.89m (£18.22m). Decrease in stock £1.78m (£2.53m increase), increase in other working capital £2.34m (£149,000 decrease). Increase in net external borrowings £770,000 (£1.36m). Opthalmic division shows no improvement in demand in current year and demand in the catering equipment sector continues lower than had been hoped. Meeting, Winchester House, EC, July 23, noon.

B. ELLIOTT AND CO (machine tool manufacturer and engineering products group)—Results for the year to March 31, 1981, reported June 11 with chairman's observations on prospects. Group shareholders' funds £34.67m (£33.7m). Fixed assets £16.9m (£16.15m) and net current assets £23.84m (£25.19m). Accounts show a compensation payment of £60,000 for loss of office. Mr. B. L. Bailey resigned fro mthe board on November 17, 1980. Meeting, Harrow, on September 9, at 12.15 pm.

J. W. WASSALL (multiple footwear retailer)—No dividend for year to March 31, 1981, against 0.88p net previously. Turnover, excluding VAT, £2.28m (£2.16m) and pre-tax loss £36,963 (£71,820 profit). Tax credit £145,937 (£34,756 charge).

WOLVERHAMPTON STEAM LAUNDRY—For year to March 31, 1981, profit £25,933 (£18,734) before tax £4,170 (£2,780). Dividend 0.75p (0.5p) net, costing £9,728 (£6,485). Board anticipates a further improvement in profitability during 1981-82.

BIDS AND DEALS

Saatchi purchases Dorland in £5.6m deal

BY MICHAEL THOMPSON-NOEL

IN A DEAL said to be the largest ever seen in British advertising, Saatchi and Saatchi Company is acquiring Dorland Advertising plus the other agencies in the GDCH group.

The main Saatchi agency, Saatchi and Saatchi Garland-Compton, is the UK's joint biggest single agency, with claimed billings last year of £83m, level with the U.S.-owned J. Walter Thompson. Dorland is Britain's 11th biggest agency, with reported 1980 billings of £38m.

According to a Saatchi spokesman yesterday: "The Saatchi link with Dorland creates the biggest advertising business in the UK by far, with turnover in excess of £150m. It is the first time for 30 years that a British-owned company has been clearly at the top of the UK advertising business."

Saatchi stresses that the Dorland acquisition indicates no lessening of its intent to break into the lucrative U.S. advertising market, and said yesterday that purchase of Dorland "simply strengthens the UK base from which we will subsequently move into the U.S."

Saatchi and Saatchi Company is acquiring 100 per cent of Age Synergy (ASL), plus the outstanding 23.2 per cent minority in its subsidiary, Garrott Dorland Crawford Holdings (GDCH).

GDCH owns Dorland Advertising entirely, Dorland being its principal operating subsidiary. GDCH also operates the Crawford's agency in London, plus the Brockie Haslam network, which has offices in Manchester, Leicester and Newcastle.

Saatchi is paying a total of £1.5m at completion, and a further £2.5m on October 1 1982. A maximum additional payment of £1.6m is payable on October 1 1983, depending on achievement of certain billings targets at GDCH.

The initial £1.5m payable has been met by the issue of 504.838 Saatchi shares, which Phillips and Drew has placed at 300p per share. A further placing of 500,000 shares at 300p has been made by Phillips and Drew towards the cost of subsequent payments.

The balance of up to £2.6m will be funded from existing Saatchi resources. It is planned to hold a Saatchi EGM by early next month to approve the acquisition and placing of shares.

Saatchi was one of the outstanding success stories in UK advertising of the 1970s. In turn, Dorland was the fastest growing agency last year in the UK Top 15, with current annualised billings put at a minimum of £44m.

Top Saatchi clients include Cadbury-Schweppes, Austin Morris, Dunlop, United Biscuits, Rowntree Mackintosh, Black and Decker, IBM and the UK Conservative Party, for which it produced a series of controversial advertisements prior to the last General Election.

Dorland's biggest clients include Heinz, the Post Office, Castrol, National Savings and Cadbury-Schweppes.

Mr. Eric Garrott, the GDCH chairman, said he saw the move as a unique opportunity to retain Dorland's independence and UK ownership. Dorland will continue to operate autonomously. There will be no exchange of personnel or facilities.

"This is a union of strength," said Mr Garrott, "and a great day for British advertising, making the combined group, British owned, the largest by far in the UK."

Of the Top 15 UK agencies, 10 are U.S.-owned, including four of thet five biggest, JWT, D'Arcy-MacManus and Masius, McCann-Erickson, and Ogilvy and Mather.

GDCH, as a whole, has increased its turnover from £14.8m in 1978 to a claimed £52.1m last year. Adjusted pre-tax profits at ASL last year were £712,000, against an audited figure of £417,000.

Saatchi's recently-reported half-year results to last March 31 revealed a 20 per cent increase in pre-tax profits. Its profits last year were 23 per cent higher at £3m.

Saatchi says hte deal comes against a healthy background for UK advertising as a whole, with many advertisers realising that advertising budgets are an asset that should not be cut, even in an era of deteriorating company profits.

News Intl bid for Wm Collins is cleared

News International's bid for publisher William Collins and Company will not be referred to the Monopolies and Mergers Commisiosn, states Mr John Biffen, Secretary of State for Trade.

Last week News International, Mr Rupert Murdoch's group which owns The Times, News of the World and Sun newspapers, raised its offer from 200p to 225p per ordinary share. The offer for the "A" ordinary non-voting shares remained unchanged at 150p.

The board of Collins is resisting the bid.

Another proposed acquisition that will not be referred to the Monopolies Commission is that by Cargill Inc of certain assets of Bowater Corporation. On March 23 Bowater, a major UK paper-making concern, said it had reached agreement in principle to sell its cotton and other fibre trading interests to Minneapolis, Minnesota Grain Trading Company. The price was put at about £12m.

Delta sells holding in SA associate

Delta Group has concluded the sale of its 50 per cent holding in Macdem (Pty), its South African associate. The holding has been sold to Delta's partner, McKechnie Bros, and to Haggie which will acquire 5 per cent and 45 per cent of the holding respectively.

The sale, which is in line with the group's policy of reducing its dependence on metal fabrication, has realised total proceeds (including the repayment of inter-company balances) of R21.7m (£12.7m). Of this £11m will be remitted to the UK and be used, in the short term, to reduce borrowings.

The company says that in the long term this will provide resources for investment in new growth areas.

The value to the group of the assets being sold amounted to £11.48m at January 31 1981 and the profit before tax attributable to the interest in the year 1980 totalled £1.9m out of a group's total of £19.6m.

Bass and Pearson Longman get 25% each of Yorkshire TV

BASS and Pearson Longman have been confirmed as the largest shareholders in Yorkshire Television from the end of this year now that Trident Television has completed its divestment programme as required by the Independent Broadcasting Authority.

Bass and Pearson Longman will each have 25 per cent of Yorkshire. Trident is to retain 15 per cent. The company will have a capitalisation of £12.6m. Trident's other subsidiary, Tyne Tees, is capitalised at £5m and the largest new shareholder will be the brewer, Vaux, with 20 per cent. Trident retains 20 per cent in this case.

Mr. G. Ward Thomas, chairman of Trident, voiced cynicism at the IBA's "simplistic" approach to financial matters last night. "I don't think there are winners or losers, but we have won in the sense that we have not been obliterated. We have done a reasonable deal."

That reasonableness seems to be based on the fact that the IBA contract renewal exercise and resultant placements have cost Trident in excess of £250,000. The company's net worth, however, will rise by a predicted £3.25m.

The sale of the two companies, together with the settlement of inter-company indebtedness and the disposal of its existing studios at Newcastle-upon-Tyne, will yield a total of £11.2m. The cost to Trident of subscribing its share of the £17.6m total capital is £3.14m.

The rental of technical equipment by Trident to both Yorkshire and Tyne Tees will start at some £2.4m a year and total £8m over a five-year period.

Rental of the studios by Trident will start at £1.1m a year and total more than £11m over eight years. The new companies, however, have the option to buy the studios.

All the proposals are subject to approval by Trident shareholders.

The principal shareholders in Yorkshire Television from the end of this year will be Bass (25 per cent), Pearson Longman (25 per cent), Trident (15 per cent), Yorkshire Post Newspapers (10 per cent) and three further investors with 5 per cent or less. N. M. Rothschilds hold 15 per cent for subsequent placing with local interests.

The principal shareholders in Tyne Tees will be Vaux Breweries (20 per cent), Trident (20 per cent), ICFC (15 per cent), United Newspapers (7.5 per cent) and Telefusion (7.5 per cent). Here too there will be three other investors holding 5 per cent each.

The new companies will be called Yorkshire Television Holdings and Tyne Tees Television Holdings. There will be a central sales organisation but no joint rate card—a marketing ploy which provoked objections from the Office of Fair Trading. This sales body will require a name since Trident intends retaining its present title.

No one is making public predictions of profitability for the two companies once they are acting independently. The IBA, which has consistently been more optimistic in its predictions than Trident, has agreed to review Yorkshire's commitments in rental, fourth channel subscriptions and network programme contributions after a six months trial period.

Bestobell sells Sunway for £607,000

Bestobell, the controls aviation and energy engineering group, has sold certain assets of its subsidiary company, Bestobell Home Products for £607,000 cash to a subsidiary of Stilsound Holdings.

Bestobell Home Products manufactures window furnishings and internal window blinds under the name Sunway, while Stilsound manufactures and markets Louverdrape vertical blinds.

This acquisition will enable Stilsound, a private company based in Stockport, Cheshire, to provide existing customers of both companies with a complete range of window blinds and furnishings.

£4m U.S. deal for Weetabix

Weetabix, the largest all-British company manufacturing breakfast cereal in the UK, has just completed a £4m deal giving the company full control of the cereal division of the Van Brode Milling Co of Clinton, Massachusetts, the second largest manufacturer of private label breakfast cereals in the U.S.

Mr Richard George, joint-deputy managing director of Weetabix said that "With a Weetabix plant already established in Canada, this multi million dollar business will provide the company with a unique opportunity to extend its activities in North America."

But the immediate and most important gain resulting from the acquisition he said is the exchange of technological know-how, "which will contribute so much to ensuring further development and prosperity which will be of benefit to all involved in both companies."

VECTIS STONE OFFER UNCONDITIONAL

Vectis Stone Group's offer for the issued share capital of Blackgang Hotels has been declared unconditional subject only to the special resolution being passed at today's EGM of Blackgang (and the allotment of shares pursuant thereto) having been accepted by all Blackgang shareholders.

The separate offer by Smith Keen Cutler to acquire the Vectis shares issued under the Blackgang offer, has been accepted as to 1,070,980 Vectis shares (47.47 per cent). This offer is now closed.

SHARE STAKES

Cluff Oil—Following recent acquisitions, the Charente Steam-Ship Co. now holds 989,428 ordinary shares (9.45 per cent) and 70,796 convertible "A" shares (10.78 per cent).

Grange Trust — Courtaulds Pensions Common Investment Fund has bought 239,000 (2.5 per cent) ordinary shares and is now interested in 2,354,000 (24.5 per cent) ordinary. The Provincial Insurance Co. has bought £40,000 (5 per cent) of the 5 per cent cumulative preference and is now interested in £72,500 (18.1 per cent).

Ladies Pride Outerwear—ESAL (Commodities) has increased its holding to 547,750 ordinary shares (6.71 per cent).

Rediffusion buys rest of Sthrn Rentals for £6.8m

Rediffusion, the TV rental and electronics group in which the industrial holding company British Electric Traction has a 57.8 per cent interest, is paying £6.75m for the outstanding 80 per cent of Southern Rentals.

It acquired its original 20 per cent stake in the company for £1m in March 1976 and had an option to acquire the rest at a later date.

Southern Rentals is a privately-owned television rental company operating in the South and South-East of England and its acquisition will increase the density of Rediffusion's rental subscribers in those areas.

The pre-tax profit of Southern Rentals for the year ended September 30 1980 was £1.19m and net tangible assets at that date amounted to £2.8m.

Rediffusion is paying for the acquisition through the issue of 3.85m of its shares of which 3.28m are to be placed by stockbrokers Cazenove and Co and de Zoete and Bevan. The acquisition agreement provides for the remainder of the shares to be retained.

Rediffusion shares fell 3p to 184p on the London Stock Exchange yesterday.

Common Bros concludes purchase from Norex

COMMON BROTHERS, the Newcastle-based shipping group, has finalised negotiations for the $21.7m (£11.3m) acquisition of an interest in a drillship and in a liquified petroleum gas carrier from Norex Corporation, a Bermudan company which manages offshore drilling.

Under the deal, Norex (part of the Siem Group) could end up with 58.8 per cent of an enlarged CB capital.

CB is to acquire 80 per cent of the capital of IRO Frigg, a subsidiary of Norex, which owns the drillship IRO Frigg and 35 per cent of the capital, carrying 50 per cent of the votes of Trans-Offshore Inc, which owns the lpg carrier Ribagorsa. The drillship commenced a two-year contract on June 21, 1981 and the Ribagorsa has entered into a five-year charter which is expected to start in September.

The acquisition is to be satisfied by the issue to Norex of 3m new CB shares. Mr Kristian Siem, chairman of Norex, has informed the board that Norex's intended holding in CB is regarded as a long-term investment.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Birmingham Pallet, Blundell Permoglaze, Thermal Syndicate.

Finals: Bromsgrove Castings and Machinery, Centrovincial Estates, General Electric, NCC Energy, Scottish and Newcastle Breweries.

FUTURE DATES

Interims—
Cronite Group .... July 10
M and G Dual Trust .... July 8
Macpherson (Donald) .... July 7
Mercantile Investment Trust Aug. 11

Finals—
Associated Leisure .... July 6
Bassett (Geo.) .... July 3
Dennis (James H.) .... July 10
Distillers .... July 16
Equity Consort Invest. Trust July 14
Harris (Philip) Holdings ...... July 16
Highgate Optical and Indust. July 7
Hollas Group .... July 8
Kinta Kellas Rubber Estates... July 9
Mercantile House Holdings ... July 6
Moorgate Investment .... July 15
Oil and Assocd. Invest. Trust July 9
Russell Bros. (Paddington) ... July 3
Wyndham Engineering .... July 22

LONDON TRADED OPTIONS

July 1 Total Contracts 909 Calls 698 Puts 211

Option	Ex'rcise price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP (c)	300	20	25	34	—	44	—	314p
BP (c)	320	5	47	20	3	32	—	"
BP (c)	350	1½	—	10	6	18	—	"
BP (c)	380	½	1	6	—	11	—	"
BP (c)	410	½	1	5	—	5	—	"
BP (p)	330	10	—	17	1	24	—	"
BP (p)	350	38	—	40	—	42	60	"
Cons. Gld (c)	600	2	—	14	91	21	—	438p
Court'lds (c)	60	7	12	12	1	16½	1	66p
GEC (c)	650	95	1	112	1	135	—	738p
GEC (c)	700	47	22	70	4	97	—	"
GEC (c)	750	14½	49	40	10	62	5	"
Gr'd Met. (c)	180	42	13	45	1	58	—	220p
Gr'd Met. (c)	200	22	8	30	—	37	—	"
Gr'd Met. (c)	220	5	15	16	10	24	—	"
ICI (c)	260	22	1	36	—	46	—	276p
ICI (c)	280	8	—	24	1	34	—	"
ICI (c)	300	3	—	13	4	22	—	"
ICI (c)	330	½	—	5	2	12	1	"
Land Sec. (c)	390	28	11	44	1	57	—	414p
Land Sec. (c)	420	7	46	25	12	38	—	"
Mks & Sp (c)	100	28	15	—	—	—	—	126p
Mks & Sp (c)	110	18	10	25	—	—	—	"
Shell (c)	360	9	1	25	—	42	2	358p
Shell (p)	360	8	—	20	8	22	—	"

Option	Ex'rcise price	August Closing offer	August Vol.	November Closing offer	November Vol.	February Closing offer	February Vol.	Equity close
Barclays (c)	420	32	5	43	—	58	2	426p
Barclays (c)	460	8	2	20	—	—	—	"
Imperial (c)	70	5	56	7½	5	10½	—	73p
Imperial (c)	80	1½	—	3	—	5	7	"
Lasmo (c)	600	12	10	30	—	57	—	544p
Lasmo (c)	650	5	10	17	—	—	—	"
Lonrho (c)	90	7	10	10	1	14	3	93p
Lonrho (c)	100	2½	—	5	—	8	2	"
P & O (c)	130	3½	—	10	5	13	1	135p
P & O (c)	140	1½	5	4	—	7½	—	"
Racal (c)	330	100	25	109	—	121	—	426p
Racal (c)	360	70	2	82	8	96	—	"
Racal (c)	390	40	39	58	—	71	8	"
Racal (c)	420	19	14	36	7	50	—	"
Racal (p)	360	2	4	6	—	9	—	"
Racal (p)	390	5	30	8	—	11	50	"
Racal (p)	420	12	—	19	1	22	60	"
RTZ (c)	500	48	17	67	25	87	—	556p
RTZ (c)	550	23	1	47	—	55	—	"

C=Call P=Put

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MINING NEWS

U.S.-German coal venture

A JOINT U.S. coal mining venture with a long-term sales agreement has been formed between Conoco's Consolidated Coal with West Germany's Rheinische Braunkohlenwerke (Rheinbraun). Up to five coal mines are to be developed in south-western Pennsylvania.

When fully operational the venture could produce 12.5m short tons of coal annually, equivalent to 36 per cent of Consolidated Coal's 1980 output. At current market prices the projected output could generate annual revenues of about $500m (£257m), according to the U.S. company.

Consolidated Coal will have a 76 per cent stake in the joint venture and Rheinbraun will hold the remaining 24 per cent. No further financial details are available.

Preliminary development work for the first mine has begun, with full production expected in 1987. Rheinbraun said that it will grind part of its coal to coal dust in Germany to sell industrial customers as a replacement for heavy fuel.

ROUND-UP

Ghana has doubled export bonuses for the gold, diamond, bauxite and manganese mining industries to 20 per cent from 10 per cent and company tax for mining will be cut to 45 per cent from 50 per cent as part of the Government's policy of encouraging exports. Lonrho has a 45 per cent holding in the famous Ashanti gold mine there, the remaining 55 per cent being held by the Ghana Government.

* * *

The Australian Government has sold its 10.7 per cent stake in the Ngalia Basin uranium exploration joint venture to a consortium comprising Offshore Oil, Southern Cross Exploration and Cocks Eldorado.

They will join Central Pacific Minerals, Agip Australia and Urangesellschaft Australia in exploring the Northern Territory site.

* * *

South West Consolidated Minerals proposes to change its name to Southwest Consolidated Resources at the London annual meeting on July 30.

* * *

Tongkah Harbour Tin Dredging has amended its Articles to enable board meetings to be held in Malaysia, effectively transferring the seat of control and tax residence from the UK to Malaysia.

Quiet start for Driefontein

BY KENNETH MARSTON, MINING EDITOR

IN LINE with the generally subdued conditions in the South African gold share market generally yesterday, dealings in the 102.3m shares of the new "supermine," Driefontein Consolidated, made a quiet debut yesterday.

A modest demand for them in London was largely matched by some Johannesburg offerings and the price moved narrowly to close the day at £11¼.

Driefontein Consolidated is the new name for East Driefontein which has been enlarged by the merger with West Driefontein; holders of the latter were given 285 shares in the new company for every 100 shares held.

When announced in April this year the merger of the two high grade gold mines was valued at £1.7bn in terms of the respective share prices. It is part of a scheme to exploit the Ventersdorp Contact reef at the neighbouring North Driefontein area.

This will create the world's biggest gold mining complex with a life prospect of some 50 years and a potential annual gold production of more than 80 tonnes a year. The good ore grade of the combined operation indicates that it will have a low break-even cost of under $200 per ounce of gold; bullion was $425¼ yesterday.

At present the world's biggest gold producer is believed to be Russia's Muruntau complex in Izbekistan which is understood to produce about 80 tonnes of gold a year. Second place goes to South Africa's Vaal Reefs with an annual output of some 70 tonnes.

The new North Driefontein area, which is estimated to contain about 27m tonnes of ore grading a good 14.3 grammes gold per tonne, can be mined at relatively small cost by making use of the plant and other infrastructure of the neighbouring two mines, notably West Driefontein which has spare capacity.

Furthermore, the merger will allow the early mining of some 28 tonnes of gold (worth about £197m) which is now tied up in the existing inter-mine boundary pillars. The arrangements should also provide tax advantages.

The main shareholders in Driefontein Consolidated are: Gold Fields of South Africa with 30.5 per cent; Consolidated Gold Fields with a direct stake of 10 per cent and an indirect stake of 15 per cent via its 46 per cent holding of GFSA; and Anglo American Gold Investment with 14 per cent.

Geevor Tin struggles on

CORNWALL's old Geevor tin mine, near Lands End, is still struggling to keep going in the face of low tin prices and rising costs. Mr Robert MacWilliam, the chairman, says in his statement with the annual report that the mine's situation is serious and: "There is no way in which the company can make a worthwhile profit at present (tin) prices."

He adds: "In the meantime all we can do is tighten our belts and see that we stay in business, in such a way that we are in a position to take the best advantage of the price increase when it comes."

On the more hopeful side, work on evaluating the Levant area, following last year's holing through to the previously flooded old workings, is gradually speeding up and it is hoped to have a good idea by this time next year of how Levant will work out. What has been seen so far bears out what has been expected.

It is also worth bearing in mind that in May Rio Tinto-Zinc increased its holding in Geevor to 17.9 per cent from 3.5 per cent by the purchase at 125p per share of the holding of Hampton Gold Mining Areas.

RTZ, which needs Geevor's production as feedstock for its Capper Pass smelter on Humberside said at the time that it regarded the purchase as a long-term investment in the UK tin industry. Geevor shares were 107p yesterday.

Rand London's andalusite acquisition

THE small South African mining group, Rand London, has acquired the unquoted Hudson Mining Company for R4.2m (£2.45m). Hudson operates an opencast andalusite mine (aluminium silicates used in the manufacture of refractory products) in the Northern Transvaal.

The operation is one of the world's largest andalusite mines and has an annual production capacity of 60,000 tonnes. At present output is limited to 40,000 tonnes a year compared with total world demand of about 220,000 tonnes.

The purchase price is to be satisfied in cash or Rand London shares at the company's option. The first tranche of R2m was paid yesterday, with a second payment of R1.07m due on December 31 and the final R1.13m on June 30 1982.

Prior to its acquisition by Rand London, Hudson Mining was wholly-owned by Zimro, an investment holding company in which Anglo American Corporation has a 76.3 per cent interest.

Injection of funds for Whim Creek

CANADA'S Northgate Exploration plans to turn its Australian exploration arm, Whim Creek Consolidated, into a mineral producing company with a strong exploration base.

The first step towards this involves a loan guarantee from Northgate for A$1.5m (£0.85m) to cover Whim Creek's medium-term financial requirements, and in return the parent company will take options to obtain minority interests in various exploration and development projects in Australia.

The first option Northgate has taken up is for a 35 per cent interest in the Cork Tree Well project at Laverton in Western Australia. Northgate will provide A$1.8m, the sum estimated to be necessary to bring the operation to production by the end of this year.

The agreement allows Northgate to acquire up to 49 per cent of Whim Creek's exploration projects up to April 30, 1982, by funding all expenditure to that date.

Sir Jack Callard, British Homes Stores chairman . . . "increase in profits have to come from growth in market share"

BHS experiencing difficult trading

Sir Jack Callard, chairman of British Home Stores, yesterday confirmed the group was experiencing difficult trading in the current year.

He told shareholders the recession was bearing "heavily upon us" and he said group trading in the early months of 1980/81 confirmed his earlier comment that higher profits would be difficult to achieve in the current year.

The chairman reported that turnover so far was above that for the comparable period last year but the increase was less than the target set at the start of the year.

Sir Jack said that with the recession likely to persist for some time "increases in sales and profits have to come from growth in market share rather than from a general improvement in consumer demand."

He told shareholders that the group's performance for the year "much depends upon our success in doing this, as well as upon control of expenses." The chairman said the group's rates bill was 30 per cent up on last year and rent reviews indicated big increases. Other charges were also rising.

COMPANY NOTICES

LEGAL NOTICES

PUBLIC NOTICE

ART GALLERIES

EUROPEAN OPTIONS EXCHANGE

Series		Aug. Vol.	Aug. Last	Nov. Vol.	Nov. Last	Feb. Vol.	Feb. Last	Stock
GOLD C	$425	22	17	—	—	2	58	$423
GOLD C	$450	140	9	8	27	—	—	"
GOLD C	$475	2	4.50	4	16	—	—	"
GOLD C	$500	11	2	3	11	2	17.50	"
GOLD C	$525	4	1	11	7	—	—	"
GOLD C	$550	—	—	41	4	—	—	"
GOLD P	$425	24	19	29	23	3	26	"
GOLD P	$450	—	—	19	35	—	—	"
GOLD P	$475	27	53	105	52	—	—	"
GOLD P	$500	3	76	1	80	—	—	"
		July		Oct.		Jan.		
ABN C	F.280	25	24 A	—	—	—	—	F.300.50
ABN C	F.300	—	—	5	14 A	—	—	"
ABN C	F.320	2	1	—	—	—	—	"
AKZO C	F.17.50	11	8	—	—	—	—	F25.30
AKZO C	F.22.50	5	3	—	—	—	—	"
AKZO C	F.25	—	—	2	2.30	—	—	"
AKZO C	F.27.50	—	—	8	1.20	20	1.90	"
AKZO P	F.27.50	—	—	—	—	5	2.50	"
AMRO C	F.55	3	1.10	—	—	—	—	F.55.40
HEIN C	F.50	—	—	11	4.20	—	—	F.49.60
HEIN C	F.55	20	0.30	77	2.20	—	—	"
HEIN C	F.60	35	0.10	19	1	—	—	"
HEIN P	F.50	3	1.10 B	—	—	—	—	"
HEIN P	F.55	9	5.40 B	20	5 B	—	—	"
HOOG C	F.15	—	—	4	4	—	—	F.18.20
HOOG C	F.20	—	—	3	1.30	15	2.30	"
HOOG C	F.22.50	—	—	5	0.60	—	—	"
IBM C	$60	—	—	—	—	3	4½	$58½
KLM C	F.100	30	25 A	—	—	—	—	F.124.20
KLM C	F.110	10	15 A	—	—	—	—	"
KLM C	F.120	150	8.50	—	—	—	—	"
KLM C	F.130	115	3.20	11	13.50	—	—	"
KLM C	F.140	318	1.10	107	9	10	13 A	"
KLM C	F.150	59	0.80	7	6	—	—	"
KLM P	F.110	—	—	36	4.80	—	—	F.125
KLM P	F.120	54	3.50	—	—	—	—	"
KLM P	F.130	5	9 B	—	—	—	—	"
NATN C	F.120	23	1	7	5	—	—	F.119
NATN C	F.125	—	—	5	2	10	3.50	"
NATN C	F.130	—	—	30	1	—	—	"
NATN P	F.115	—	—	10	1	—	—	"
NATN P	F.120	—	—	—	—	3	4.50	"
NATN P	F.125	—	—	—	—	6	7.40	"
PHIL C	F.17.50	4	6.60	—	—	—	—	F.23.90
PHIL C	F.20	115	4	141	4.70	—	—	"
PHIL C	F.22.50	14	1.80	245	2.60	39	4.20	"
PHIL C	F.25	80	0.30	51	1.60	129	2.40	"
PHIL C	F.27.50	—	—	71	0.80	131	1.60	"
PHIL P	F.22.50	—	—	—	—	20	0.90	"
PHIL P	F.25	—	—	33	1.60	—	—	"
RD C	F.90	41	0.80	38	3.70	—	—	F.85.30
RD. C	F.100	—	—	4	1.50	4	2.70 A	"
RD P	F.80	—	—	10	2.80	5	4.50	"
RD P	F.100	—	—	10	15	10	15	"
UNIL C	F.150	—	—	3	6	—	—	F.147

TOTAL VOLUME IN CONTRACTS 3073

A=Asked B=Bid C=Call P=Put

OIL MAJOR REJECTS TAKEOVER BID

Conoco sues Seagram for $1bn

BY PAUL BETTS IN NEW YORK

CONOCO yesterday filed a $1bn suit against Seagram to block the Canadian distillers' $2.55bn bid to buy a 41 per cent controlling interest in Conoco, the ninth largest U.S. oil company.

The suit follows a strong recommendation by Conoco's board urging shareholders not to tender their shares to Seagram, which has offered to buy 35m Conoco shares at $73 each.

The suit filed by Conoco seeks a court order to block Seagram's bid. Conoco is also claiming $500m in consequential damages and a further $500m in punitive damages.

The U.S. oil company is accusing Seagram of breaking an earlier agreement whereby Seagram apparently agreed not to make a hostile tender offer. Conoco also contends that Seagram's unsolicited bid led to the collapse of merger talks between Conoco and Cities Service, another large U.S. oil company.

Mr Ralph Bailey, chairman of Conoco, described the Seagram bid, involving an offer of $73 per share for 35m Conoco shares as not being in the best interest of the shareholders.

He said Conoco's directors considered the offer inadequate. He added that they believed "there is a wide gap between the intrinsic value of Conoco stock and its market price."

Despite the strongly worded rejection of the Seagram offer by the Conoco board, Wall Street still believed that the Canadian company had good chances of success in its latest bid. Earlier this year, Seagram failed in a $2bn bid for St Joe Minerals, a leading U.S. natural resources concern.

However, Conoco, which has amended its by-laws to restrict foreign ownership of its stock, clearly plans a major defence.

Interestingly, it has already raised the issue of the so-called U.S. "Tied House" laws to attempt to block the bid. These laws apply in several U.S. states and regulate or prohibit a manufacturer or distributor of alcoholic drinks from owning in certain circumstances a liquor retailing business. Seagram is the world's largest drinks group and Conoco retails alcoholic drinks in several of its service stations.

This issue was raised two years ago when the Imperial Group of the UK made its $600m bid for the Howard Johnson hotel chain. The takeover had to be individually approved in a large number of states because of the "Tied House" laws and the approval process took several months.

● Conoco also announced that its Consolidation Coal subsidiary, had formed a coal venture with Rheinische Braunkohlenwerke, one of the largest German mining companies, to develop five large underground coal mines in south-western Pennsylvania.

General Portland turns down $315m bid

By Ian Hargreaves in New York

THE BOARD of General Portland, the large U.S. cement company, has rejected with only one dissenting vote a $315m takeover bid by Canada Cement Lafarge, the Canadian cement company controlled by Lafarge Coppée of France.

The board said the offer price of $45 per share was inadequate and that the unsolicited offer broke the terms of a written agreement with the Lafarge group under which the French company is said to have promised not to make any hostile offer for General Portland shares.

This assurance had been given, General Portland said, two months ago, when it had supplied Lafarge with "confidential proprietory information" about itself.

Mr James Lindrum, chairman of the U.S. company, said he had been shocked by the bid, which came at a time when the industry was depressed because of weak construction demand.

The company also raised the question of the likely anti-trust obstacles to the proposed merger and said it would seek to head off the deal in the courts.

The anti-trust issue is of great interest in the bid because together Canada Cement Lafarge and General Portland would form the largest cement producer in North America, overtaking Lone Star Industries.

In the past Lone Star has frequently complained that U.S. anti-trust law has served to fragment the U.S. cement industry by impeding domestic takeovers and argued that this in turn had made it easier for foreigners to gain large stakes in the industry.

One of the large U.S. cement producers may well test the anti-trust climate for the industry, which may be more relaxed under the Reagan Administration, by making a counter bid for General Portland.

General Portland's shares re-opened yesterday at $36¾, compared with a recent peak of $43.

Murata launches $30m bond in quiet trading

BY FRANCIS GHILÈS

A $30m 15-year convertible Eurobond for the Japanese Canadian real estate company turer Murata Manufacturing has been launched through Nomura Securities. It includes an indicated coupon of 5½ per cent and a conversion premium of 5 per cent.

Meanwhile, the indicated coupon of 16 per cent on the $40m five-year fixed interest rate bond for Trizec the Canadian real estatae company was confirmed yesterday when lead manager Merrill Lynch priced the bonds at 99.

Trading remains thin in the secondary fixed interest dollar bond market where fears are growing of a sharp rise in U.S. money market rates. Federal funds rates rose 3¼ percentage points to 22 per cent yesterday morning in New York and this could trigger a surge in Eurodeposit rates.

Yesterday the six-month Eurodollar rate gained half a point to close as 17⅝ per cent. A sharp upward movement in Eurodeposit rates could knock two to three points off the prices of most issues according to bond dealers. Seasoned fixed interest dollar Eurobonds lost about ¼ of a point.

A $50m 15-year convertible bond for Northwest Energy Company, the U.S. group which has overall responsibility for the Alaskan Highway Pipeline Project, is expected to be launched later today by Goldman Sachs. The indicated semi-annual coupon is expected to be 9 per cent and the conversion premium 17 to 20 per cent. Investors are expected to have the opportunity of converting the bonds on every coupon payment date into fixed interest notes carrying coupon of 16¼-½.

The 10 per cent tap bond to 1985 for Oesterreichische Kontrollbank which amounted to $50m when it was first issued by Orion Bank in June, 1980, has been increased in the past week to $121m. The bonds were standing at 85¾ yesterday at which level they yield 14.89.

D-Mark foreign bonds were unchanged yesterday while Swiss franc foreign bonds gained ¼ of a point.

Private Japanese corporations issued 112 external bonds totalling $3.41bn in the 12 months to March, a figure slightly lower than the preceding 12 months.

The share of Swiss franc denominated bonds declined by just over 18 per cent to 50.6 per cent of the total while the share of dollar denominated paper rose by nearly 50 per cent to 30.3 per cent.

NBC chief sacked by Bradshaw

By Our New York Staff

MR FRED SILVERMAN, president of the ailing NBC television network, was unceremoniously sacked last night by Mr Thornton Bradshaw, the new chairman of RCA, the giant U.S. communications company which controls NBC and has been recently plagued by top management turmoil.

When Mr Bradshaw, who was named chairman of RCA earlier this year but officially takes over today, was president of Atlantic Richfield, the Californian Oil company, he decided to sell the Observer.

Mr Silverman's dismissal was not unexpected. The NBC president, who is said to have been paid a salary of more than $1m a year, was hired three years ago to haul the network from the bottom of the television ratings.

But although Mr Silverman had a reputation of being a television programming genius first at CBS and then at ABC, the two rivals of NBC, he failed to pull NBC out of last place.

Moreover, NBC's profits have declined from about $150m in 1977 to about $80m last year.

Mr Bradshaw, who was named chairman of RCA after a dramatic top management shake-up which led to the dismissal of Mr Edgar Griffiths, appointed last night Mr Grant Tinker to fill Mr Silverman's job.

Mr Tinker is currently president of MTM Productions, one of the best independent television studios in Hollywood.

Cii head hits back at critics

BY TERRY DODSWORTH IN PARIS

M JEAN-PIERRE BRULE, chairman of Cii Honeywell Bull, the leading French computer company, responded yesterday to demands for his resignation with a fierce defence against criticisms made by Saint-Gobain, Cii's majority shareholder.

In a statement clearly directed at Saint-Gobain, Cii said it regretted the "malicious intent" represented by disclosures of "slanted information" about the company's credit standing. Replying to suggestions that Saint-Gobain had been forced to come to Cii's aid financially, it said that at the end of last month Cii held FFr 500m ($90.9m) in cash, and had available more than FFr 1bn of confirmed credit lines that had not been used.

In addition, Cii said that it had accepted a loan for working capital of FFr 230m from Saint-Gobain at the parent company's request, while offsetting these funds to some extent with a reverse loan of its own to Saint-Gobain of FFr 100m.

Cii's statement followed a works council meeting in which M Brule implied that Saint-Gobain had done very little to help with Cii's ambitious development plans since it took control of the computer concern in late 1979.

Most of the company's FFr 4.5bn investment during the period since it was established in 1975 had been covered by cash flow and long-term loans, he said. Only FFr 55m had come directly from shareholders, about half of which had been injected by Saint-Gobain since the takeover.

In addition, Cii was currently growing at a satisfactory rate, following three difficult months at the beginning of the year, he said. Turnover was up by more than 10 per cent, and the company had created about 200 new jobs net of departures.

With M Brule apparently determined to stand his ground, the fight over the direction of the company will now almost certainly shift to the boardroom. No meeting had been arranged by last night, but it is possible that the board could be called together tomorrow.

Out of the 11 votes, Saint-Gobain can count on four, two from the company itself, and another two from Machines Bull, the holding concern through which it controls Cii. Another four votes belong to Honeywell Information Sytems of the U.S., the other main partner in Cii, and a further two to the French Government. M Brule has the remaining vote.

Chairman of Fox Film resigns

BY OUR NEW YORK STAFF

MR DENNIS STANFILL, chairman of Twentieth Century-Fox Film Corporation has resigned after a dispute with Mr Marvin Davis, the Denver oilman who took over the Hollywood film company earlier this month.

Hollywood was surprised by Mr Stanfill's announcement, which simply said Fox had "materially breached" his employment contract and that "my ability to function as a chief executive officer of the corporation and my ability to maintain the standards by which Fox has operated have been irreperably harmed."

The story circulating within the industry is that Mr Stanfill, 54, fell out with Mr Davis over the company's signing of a new two year contract with Mr Harris Katleman, head of the company's television production unit.

Mr Katleman joined Fox 13 months ago, and was a protege of Mr Alan Hirschfield, Fox's vice-chairman.

Reports that Mr Stanfill wanted to get rid of Mr Katleman have been retailed for some time, but when it came to the crunch over Mr Katleman's future, it appears that Mr Davis took sides against Mr Stanfill.

Mr Stanfill's departure is all the more surprising in that he had been appointed a director of Mr Davis' holding company. As the architect of Fox's financial recovery and its diversification into numerous areas outside the motion picture business, he was considered a key player in Mr Davis's plan.

Mr Stanfill, however, has no personal financial difficulties to worry about. The unexercised stock options built up during his 11 years at Fox are worth $6.7m.

Before joining Fox, Mr Stanfill worked for the Times-Mirror newspaper publishing group of Los Angeles and prior to that was a corporate finance specialist with Lehman Brothers.

First City escalates fight for Permanent

By Robert Gibbens in Montreal

FIRST CITY Financial Corporation, controlled by the Belzberg Brothers of Vancouver, has stepped up the fight for control of Canada Permanent Mortgage Corporation by launching a suit in the Ontario Supreme Court and putting the case before the Foreign Investment Review Agency (FIRA) in Ottawa.

The suit asks the Court to set aside a plan by Canada Permanent, which operates the third largest trust company in the country, to merge with Genstar, a large real estate developer and financial services group. Societe de Generale de Belgique hold 16 per cent of Genstar's shares.

First City says the real purpose of such a merger, to be effected through Canada Permanent issuing shares to Genstar, would be to thwart its own share exchange offer worth more than $300m (U.S.$250m) for Canada Permanent.

First City has said that 71 per cent of the Canada Permanent shares have been tendered under its offer now extended to July 6.

First City has provided information concerning its own offer to the Foreign Investment Review Agency in Ottawa and has argued that under the terms of the merger with Genstar, the Canadian equity ownership of Canada Permanent would be significantly reduced.

Genstar has its head office in Vancouver, but its executive group is now based in San Francisco. Though it considers itself a Canadian company, Fira last year took the view that it was foreign-controlled.

Great Western merger obstacle

By Our Financial Staff

THE FEDERAL Home Loan Bank Board has approved the merger of Great Western Savings and Loan Association, the second largest savings and loan group in the U.S., and Financial Federation. Their combined assets are worth $12bn.

Despite granting approval, Mr Richard Pratt, chairman of the FHLRB, expressed dissatisfaction with conditions that the California Savings and Loan Commissioner says must be met before the merger can take place.

The California Commissioner has said the merger can only take place if the newly-merged savings and loan group agrees to drop 10 branch offices, purchase $100m of loans from minority savings and loan institutions and make at least $1.25bn in loans to poverty areas.

Federal Company expects jump in profits to $20m

BY OUR FINANCIAL STAFF

PROFITS for fiscal 1981 at Federal Company, the U.S. broiler chicken and feed group, should show a jump of 108 per cent to $20.2m, or $2.47 a share, despite a 13 per cent dip in the final quarter, Mr R. Lee Taylor, the president, said in Memphis yesterday.

Analysts on Wall Street had been predicting earnings of about $2.60 a share for the year to May 31, with a further rise in the following year.

The poultry, flour and by-products processor expects to report that full year sales increased to $1.1bn from $997.8m.

Most of Federal's fiscal year earnings increase came in the first half of the year. In the third quarter, earnings increased by only 18 per cent and the company expects fourth quarter earnings to decline to $2.4m, or 30 cents a share, on sales of $293m from the 1979-80 level of $2.8m, or 34 cents a share, on sales of $242.9m.

Mr Taylor said that Federal's by-products and flour and bakery supplies units enjoyed "good to excellent" performance in fiscal 1981, but poultry results were "relatively poor by historical standards." The poultry products group earned $7.2m for the year compared with a loss of $135,000 a year earlier. In the fiscal fourth quarter, Federal's poultry group incurred a $2.3m loss, compared with profit of $97,000 a year earlier.

Two Bahraini banks join Arlabank

By William Hall, Banking Correspondent

TWO BAHRAINI banks have joined the Arab Latin American Bank (Arlabank), the offshore consortium bank based in Peru.

The National Bank of Bahrain and the Arab Banking Corporation (ABC) have joined the existing 27 shareholders from 18 countries who founded the bank in 1977. The shareholding composition of 60 per cent Arab and 40 per cent Latin American will remain unchanged.

Arlabank, which has assets of $1.5bn, has also raised its paid-up capital to $125m. The objective of the bank to forge links between the economies of Latin America and the Arab world.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Monday July 13.

Closing prices on July 1

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Air. 15¼ 86 (WW)	55	98⅜	99½	−0⅜	−1	15.46
Amoco 13¼ 88	75	94⅛	94⅝	−0⅛	−0⅝	14.59
CIBC 14½ 84	185	97¾	98¼	−0¼	−0⅜	15.36
CIBC 15⅝ 86	75	99½	100	−0¼	−0½	15.33
CNA 15¼ 96	75	97⅝	98⅛	−0⅛	−0½	15.62
CNE 12¾ 91	100	88⅜	88⅞	−0⅛	−0¼	15.02
Citicorp O/S 12 87	200	89¾	90¼	−0⅜	−0⅜	14.49
Citicorp O/S 15½ 84	175	99⅞	100⅜	−0⅜	−0¼	15.42
Con. Illinois O/S 9¾ 86	150	82⅜	82⅞	−0⅜	−0⅞	14.92
Dupont Canada 13½ 91	65	94½	95	−0¼	−0⅝	14.50
EIB 12¾ 89	75	88½	89	−0⅛	−0¼	15.29
Eldorado 13¾ 86	50	93¾	94¼	−0⅜	−1	15.06
Elec. de France 13 88	125	91⅝	92⅛	−0½	−0⅞	14.98
Export Dv. Cpn. 9½ 86	150	82	82½	−0⅜	−0¼	15.13
Fed. Bs. D. 12¾ 85 (N)	50	91½	92	−0⅜	−0½	14.88
Fed. Bs. D. 15¾ 84 (J)	40	100¾	101¼	−0⅛	−0⅜	15.28
Fin. Exp. Credit 10½ 85	50	85⅛	85⅝	−0¼	−0¼	15.69
Finland, Rep. of 9½ 86	100	80⅛	80⅝	−0⅛	−0¼	15.65
Ford Cr. O/S Fin. 16 84	150	100⅞	101⅜	−0½	−0¼	15.32
Gaz de France 13½ 86	80	94⅝	95⅛	−0¼	−0⅞	15.06
GMAC O/S Fin. 12⅞ 88	100	90¾	91¼	−0⅜	−0½	15.07
GMAC O/S Fin. 14¾ 87	100	97½	98	−0⅛	−0⅜	15.35
Gen. Mts. O/S 11¾ 87	100	87¾	88¼	−0⅛	−0⅛	14.77
Genstar 14¾ 91	50	98	98½	−0¼	0	15.07
GTE Fin. 13¾ 86 (WW)	50	96⅛	96⅝	−0⅝	0	14.83
Hiram Walker 16 86	50	102	102½	−0¼	−0⅛	15.29
IBM Wld. Trade 12½ 88	200	95⅛	95⅝	−0⅛	−0⅛	13.53
IBM Wld. Trade 14¾ 84	100	100¼	100¾	−0⅛	−0⅜	14.51
Nat. Bk. Canada 15¾ 84	40	98⅜	98⅞	−0⅛	−0¼	15.85
Newfoundland 13½ 90	60	92⅜	92⅞	−0⅜	−1⅜	15.04
Nova Scotia 15 91	75	97⅝	98⅛	−0½	−0⅜	15.38
OKB 10 85	50	85⅝	86⅛	+0½	+0⅞	14.89
Ontario Hydro 13½ 91	100	93⅜	93⅞	−0⅜	−1⅜	14.74
Queb. Hy. 13 91 (WW)	100	89⅜	89⅞	−0⅛	0	15.07
Royal Bk. Canada 14 86	100	97⅞	98⅜	−0⅛	−0¼	14.52
SNCF 13 91	75	91	91½	−0⅛	−0⅜	14.71
Sth. California Ed. 14 87	50	97¼	97¾	−0⅜	−0⅛	14.62
Sven Handlsbk. 13¾ 88	45	93	93½	−0⅛	0	15.38
Swed. Ex. Credit 13 86	75	91	91½	−0⅜	−0⅛	15.76
Swed. Ex. Cred. 15¼ 86	50	100¼	100¾	−0⅛	−0¼	15.57
Toronto-Dom. Bk. 14 84	50	96½	97	−0¼	−0⅝	15.44
Tribune O/S Fin. 14 86	50	95⅜	95⅞	−0½	−0⅜	15.31
Wells Fargo Int. 15½ 84	50	100¼	100¾	−0⅜	−0⅛	15.2[illegible]
World Bank 9¾ 85	200	84¾	85¼	−0⅛	−0⅛	15.04
World Bank 10¼ 87	300	81½	82	−0⅛	−0⅜	15.10
Average price changes... On day −0¼ on week −0⅜						

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	100	98⅜	98⅞	+0¼	−1⅛	10.24
Austria, Rep. of 8¼ 92	150	87⅝	88⅛	0	−0⅛	10.11
CECA 7⅞ 92	150	†85½	86¼	−0⅛	−0⅜	10.03
CECA 10 91	120	†100¾	101½	+0⅛	0	9.80
Cii-Honeywell 8¾ 90	125	†88⅜	88⅞	+0⅛	+0⅛	10.39
Council of Europe 10 91	100	99¼	100	+0⅛	0	10.05
EIB 8½ 90	200	89¾	90½	+0⅝	+1	10.18
EIB 10½ 91	200	†100½	101	+0⅛	+0⅛	10.36
ESCOM 9¾ 87	100	90¾	91½	+0½	−0⅜	11.26
Finland, Rep. of 10 89	100	97½	98¼	+0⅛	−0½	10.40
Iberduero SA 9 90	100	†89½	90¼	+0⅜	+0¼	10.80
Ind. Bk. Finland 8½ 90	50	†88¾	89½	0	0	10.36
Int.-Am. Dv. Bk. 10 91	100	†99⅜	100⅛	+0⅛	−0⅜	10.02
Japan Air Lines 8⅛ 87	100	91¼	92	−0⅜	−0⅝	9.94
Japan Dev. Bk. 7⅝ 87	100	88½	89¼	+0⅛	+0½	10.13
Kobe, City of 8 90	100	87⅞	88⅛	+0⅝	+0¼	10.1[illegible]
Midland Int. Fin. 8½ 90	180	89¼	90	+0⅛	−0½	10.27
Nucelebras 9¾ 88	100	†86¼	87	−0⅜	−0¾	12.67
OKB 8¼ 92	150	†86½	87¼	0	0	10.30
Oslo, City of 8¾ 90	80	91¾	92½	+0⅛	0	10.14
Venezuela, R. of 9¾ 90	150	93⅜	94⅛	0	−0⅝	10.83
World Bank 8 90	700	86⅞	87⅝	−0⅛	0	10.31
World Bank 10 86	150	101⅜	102⅛	−0¼	+0⅞	9.51
Average price changes... On day 0 on week 0						

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris 6½ 91	60	†96	96½	0	+0¾	7.04
BFCE 6½ 91	100	†95¾	96¼	+0⅜	+0½	7.08
Bayer Int. Fin. 5¼ 92	100	90¾	91	+0⅜	0	6.41
Bergen, City of 6¾ 91	40	99⅜	99⅝	−0½	−0⅛	6.82
Bhrmn.-Tetterode 7 90	40	†100	100½	0	+0⅞	6.96
CECA 6¾ 91	80	96⅞	97⅛	+0⅛	+0⅞	7.18
Denmark 5¾ 90	80	88½	88¾	−1⅛	−0⅛	7.53
Dome Petroleum 5¾ 91	100	95	95¼	+0¼	+0⅜	6.44
Elet. de France 5⅝ 90	100	†91	91½	−0⅜	+0⅜	6.54
Eurofima 5¾ 92	80	†98½	99	0	−0⅛	5.90
F. G. H. Hypo. Bk. 6 90	50	†94½	95	−0⅛	+0⅝	6.80
Finland, Rep. of 6¾ 90	80	†89½	90	−0½	+1½	7.19
Franc. Petroles 6½ 91	80	97⅛	97⅜	−0¼	0	6.89
Genstar 7 91	100	103¼	103¾	+0½	+1½	6.54
Int.-Amer. Dv. Bk. 7 91	100	99⅝	99⅞	+0⅜	+0⅜	7.07
Japan Dev. Bank 5¾ 90	100	94¾	95	+0½	+1⅜	6.50
Mt. Blanc Tunnel 5½ 90	60	†90	90½	+0⅜	+0¼	6.97
Newag 5¼ 90	80	92¼	92½	−0⅛	+0¼	6.91
OKB 7 93	100	99¾	100	+0⅝	+0⅛	7.01
Oslo, City of 5⅞ 90	80	90⅞	91⅛	+0¼	−1	7.23
Philips Lamps 5¾ 92	100	89¼	89½	−0¼	+1	6.63
Swed. Ex. Cred. 7¼ 91	75	97¾	98	+0½	+0¼	7.56
Trade Dev. Fin. 6⅝ 90	50	†91½	92	−0⅝	−0½	7.38
Voest-Alpine 5¾ 90	80	90	90½	0	−0½	7.23
World Bank 6 91	100	93⅞	94⅛	0	−0¼	6.87
World Bank 7 90	100	102	102¼	+0⅜	+0⅝	6.67
Average price changes... On day +0¼ on week +0½						

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. 8¼ 91	15	97¾	98¼	0	+0⅛	8.51
Australia 6½ 88	20	85⅜	86⅜	0	−0¼	9.37
EIB 7¼ 89	12	92	93	0	+0⅞	9.08
Finland 5.6 83	10	91¾	92¾	0	+0⅛	9.57
Finland 6.8 88	10	85⅜	86⅜	0	+0⅛	9.85
Finland, Rep. of 8¼ 87	15	97⅜	98⅜	0	0	8.79
Average price changes... On day 0 on week 0						

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada 10¾ 86 C$	60	86⅜	87⅜	−0½	−0⅛	14.37
CIBC 13½ 85 C$	50	93¾	94¾	−0⅛	−0¼	15.55
CIBC 11½ 85 C$	60	86½	87½	0	0	16.11
Federal Dev. 11½ 90 C$	60	†80¾	81¼	0	−0¼	15.61
Fst. Can. Inv. 10 84 C$	60	†86	87	0	+0⅜	16.21
R. Bk. Canada 10 86 C$	40	88¾	89	0	0	13.30
Tordom Cpn. 13½ 85 C$	30	†94¾	95⅛	−0⅛	−0¼	15.36
M. Bk. Dnmk. 9 91 EUA	25	86⅝	87⅜	−0½	−0⅛	11.78
SOFTE 8¾ 89 EUA	40	87	88⅛	0	−0⅛	10.66
U. Bk. Nwy. 9½ 90 EUA	18	94	95½	0	−1	10.43
Algemene Bk. 10¼ 86 Fl	60	94¾	95¼	−0¼	−0⅛	11.66
Amro Bank 12 86 Fl	75	99⅞	100⅜	0	0	11.97
Heineken NV 10 87 Fl	100	92⅞	93⅜	0	−0⅛	11.84
Nat. Nedrlndn. 10 88 Fl	60	94⅛	94⅝	0	0	11.23
Ned. Midd. Bk. 10 86 Fl	75	93½	94	−0⅛	+0⅜	11.95
Pierson 10¼ 86 Fl	50	93½	94	+0⅛	−0⅛	12.04
Rabobank 12 86 Fl	50	100	100½	0	+0⅛	11.92
Air France 14½ 86 FFr	200	91¾	92¾	+0⅛	−0⅛	17.10
Bk. America 14½ 86 FFr	250	89⅜	90⅜	0	+0⅛	17.74
Charb'nages 13⅞ 85 FFr	400	88⅜	89½	+0⅛	0	17.54
EIB 14½ 88 FFr	300	87¼	88¾	+0¼	+0⅜	17.32
La Redoute 14¾ 85 FFr	125	85⅞	86⅞	+0⅛	−0½	19.05
OKB 14 86 FFr	400	91	92	+0½	−0½	16.70
Solvay et C. 14¾ 86 FFr	200	94⅞	95⅞	+0⅛	+0¼	16.1[illegible]
Swed. E. Cr. 14⅝ 86 FFr	250	87⅞	88⅞	0	0	18.42
U. Mex. Sts. 14 85 FFr	150	89¼	90¼	−0⅛	+0⅛	17.8[illegible]
Acona 14 85 £	20	93¼	94¼	0	−0¼	16.06
Beneficial 14¼ 90 £	20	87⅛	87⅞	−0¼	−0⅞	16.93
BNP 13½ 91 £	15	89½	90¼	−0¼	−0½	16.55
CECA 13½ 88 £	20	91½	92¼	0	−0⅜	15.3[illegible]
Citicorp O/S 13½ 90 £	50	93⅞	94⅝	0	0	14.67
Fin. Ex. Cred. 13¾ 86 £	15	93	93¾	+0⅛	0	15.7[illegible]
Gen. Elec. Co. 12½ 89 £	50	88½	89¼	−0⅛	−0⅜	14.5[illegible]
Hiram Walker 14¾ 86 £	25	95⅛	95⅞	−0⅛	−0⅜	15.6[illegible]
Privatbanken 14½ 88 £	12	92	93	0	−0⅜	16.38
Rothschild 14¼ 90 £	12	93⅞	94⅝	0	−0⅛	16.44
Royal Trustco 14 86 £	12	95⅜	96⅛	−0⅛	−0⅜	15.19
Swed. Ex. Cr. 13¾ 86 £	20	93¼	94½	−0⅛	−0⅜	15.5[illegible]
Akzo 9¾ 87 LuxFr	500	90	91	0	+0⅝	11.4[illegible]
Euratom 9¾ 88 LuxFr	500	85⅜	86⅜	0	−0⅜	13.0[illegible]
Eurofima 10½ 87 LuxFr	500	90⅜	91⅜	0	−0⅛	12.6[illegible]
EIB 9¾ 88 LuxFr	600	87⅞	88⅞	−0½	−1¼	12.4[illegible]
Volvo 9¾ 87 LuxFr	500	86⅞	87⅞	−0⅛	−0⅝	12.7[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal 5¼ 90	0¼	98⅞	99⅛	18/12	16¾	16.[illegible]
Bank of Tokyo 5¼ 89	‡0¼	98⅜	99⅛	25/7	16½	16.69
BBL Int. 5 86	0¼	99¾	100¼	20/11	18.31	18.31
BNP 5½ 88	‡0⅛	98⅞	99⅜	29/7	16.44	16.58
CNT 5¼ 86	§0¼	99¼	99¾	16/10	16.81	16.90
Christiania Bk. 5½ 91	‡0¼	97⅞	98⅜	5/8	17.31	17.64
Citicorp O/S Fin. 84	‡0	99	99½	29/7	18.69	18.8[illegible]
C. Itoh 5¼ 87	0¼	98¾	99¼	18/9	15.44	15.59
Co-operative Bk. 6 86	0¼	99¾	100¼	15/11	19.56	19.56
Den Norske Credit 6 90	‡0¼	98⅝	99⅛	5/8	17.31	17.51
Genfinance 5¼ 87	0¼	99	99½	30/10	16.94	17.07
Genfinance 5¼ 92	0¼	99	99½	30/12	18.31	18.45
Giro und Bank 5¼ 91	‡0¼	98⅞	99⅛	23/9	19.06	19.23
GZB 5½ 89	‡0¼	98½	99	1/8	17.31	17.63
GZB 5¼ 92	‡0¼	98⅜	98⅞	5/9	17¼	17.49
Ind. Bank Japan 5¼ 87	0¼	98¼	99¾	16/10	17.06	17.16
Ind. Bank Japan 5⅛ 88	0¼	98⅞	99¼	9/10	16.44	16.56
Lloyds Eurofin 8 90 £	0⅛	97¼	97¾	3/7	14½	14.87
Lloyds Eurofin 5¼ 92	0¼	98⅞	99⅜	4/12	17.44	17.69
LTCB Japan 5¼ 88	0¼	99⅝	100⅛	13/12	17¼	17.27
Man. Hanov. O/S 5⅛ 94	‡0⅛	99½	100	30/8	19.06	19.11
Merrill Lynch O/S 87	0⅛	99⅞	100⅜	7/8	20.44	20.4[illegible]
Midland Int. Fin. 5⅛ 92	0⅛	99	99½	5/12	17⅜	17.51
Midland Int. Fin. 9 91	0⅝	98⅛	98⅝	30/10	16.81	17.08
Nacional Fin. 6¼ 86	0¼	99	99½	25/7	17¾	17.88
Nacional Fin. 5½ 88	0¾	96⅜	97¼	25/9	14⅞	15.34
Nat. Bk. Canada 5¼ 88	0¼	97⅞	98⅜	24/9	14½	14.78
Nat. West. 5¼ 94	§0¼	98	98½	14/10	16.19	16.48
Nat. West. 5⅛ 92	§0⅛	98⅛	98⅝	23/10	16.81	17.09
Pemex 6 91	0¼	96⅞	97⅜	8/10	15.31	15.77
Sparebanken 6 87	0¼	98⅜	98⅞	19/12	16.81	17.05
Standard Chart. 5⅛ 90	0¼	98⅞	99⅜	3/9	17.06	17.27
Svenska Hndlsbk. 5 87	0⅛	99¼	99¾	15/7	17.81	17.90
Average price changes... On day 0 on week −0⅛						

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto 5¼ 96	7/81	933	100¼	101½	−1⅛	1.96
Bow Valley Inv. 8 95	4/81	23.12	101⅞	103⅛	−0⅛	6.87
Canon 6¾ 95	1/81	829	172⅝	173⅞	−1⅛	0.67
Credit Suisse 4¾ 93	10/79	1236	85	87	0	0.10
Digicon Fin. 8½ 95	10/81	29.5	100	101½	−0⅛	16.52
Fujitsu 5½ 96	7/81	732	107½	108½	−0⅛	9.63
Hanson O/S Fin. 9½ 96	8/81	2.74	94	95½	−0½	1.09
Ina Overseas 8¾ 2000	4/81	42	108½	109⅝	−0½	−1.18
Inchcape 8 95	2/81	4.55	79	80½	+0⅛	5.26
Kotobukiya Co. 7 95	4/81	619	†94½	95½	−1⅛	−2.65
Marion Int. Fin. 9 95	12/80	15.5	77½	79	−0½	16.86
Marui 6 96	7/81	931	103⅜	104⅜	−0¼	−1.09
Matsushita El. 7½ 95	11/80	590	98¼	99¼	+0½	−0.6[illegible]
NKK 8½ 96	7/81	188	113⅜	114⅜	−2⅛	23.99
Ricoh 6⅛ 95	8/80	604	151	152¼	−0⅞	−2.42
Sumitomo M. Ind. 7 95	2/81	181	139¾	141	−2⅛	2.70
Swiss Bk. Cpn. 6¾ 90	9/80	200	75	77	−0¼	27.86
Taylor Woodrow 8¾ 90	1/81	4.94	92¼	93½	0	4.31
Transco Int. 8¾ 95	2/81	68	79¾	81¼	−0½	37.26
Tricorp 8½ 95	12/80	31.25	79¾	81	−1⅛	9.21
Union Bk. Switz. 5 89	2/80	70.79	74½	76½	0	5.16
Fujitsu 5 84 DM	7/79	431.5	204	205	+0¼	−1.38
Sharp Cpn. 6½ 88 DM	9/80	595	193	194	−4⅞	−3.07
Uny Co. 6½ 85 DM	11/79	879.3	116¼	117¼	−1⅞	−3.38

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units, except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

INTERNATIONAL COMPANIES and FINANCE

SLUMP IN DEMAND FOR LARGER MODELS

Opel swings from profit to DM 411m loss

BY STEWART FLEMING IN FRANKFURT

ADAM OPEL, the General Motors subsidiary in Germany which is the Federal Republic's second largest car manufacturer, plunged into losses of DM 411m ($172m) in 1980 and there is no hope of the company returning to profits until December this year, according to Mr Robert C. Stempel, the managing director.

It is the first loss recorded by the German company since 1948, and comes at a time when Opel is making strenuous and expensive efforts to improve dramatically its efficiency and product range in order to meet intensifying competition, particularly from Japan.

The Opel announcement, which follows the news that GM's UK subsidiary, Vauxhall Motors, lost £83.3m in 1980, completes a tale of disaster from the big foreign car manufacturers in Germany. Ford Werke earlier this year reported a loss of DM 463m.

Opel has already made major efforts to save money by, among other things, cutting its work force by around 11 per cent to just under 60,000; and trimming stocks. It has launched a series of initiatives aimed at halting declines in market share in Germany and boosting export performance.

In marketing, for example, the emphasis has been switched from trying to promote sales through price cutting to increasing the range of equipment in some models by including as standard features which have hitherto been optional. This is a direct response to the Japanese marketing strategy which has helped lift Japan's share of the German car market from 5 to 10 per cent in little over a year.

Opel is betting heavily in the forecasts it is sending back to head office, that the introduction of new models and engine options in the autumn of 1981 and 1982—the results of part of the DM 6bn investment programme begun in 1977—will rejuvenate its marketing performance and for the first time give the company a complete "palette" of vehicles to sell. The lack of new models, notably in the small car market, was an enormous handicap in 1980.

Beyond these immediate plans Opel is clearly facing further heavy capital spending and investment in the training of skilled workers, in order to increase the degree of automation in its plants. It is actively studying whether or not to go into the business of manufacturing for itself some of the "robots" which it will require to match and improve upon levels of automation already reached in Japan.

As Mr Stempel puts it: "We are concerned when we see manufacturers outside Europe who make a car in one or two hours less time than we take."

He feels only part of this apparently higher productivity may be due to the way time is booked. "We are convinced there is a possibility of removing one-and-a-half to two hours in the time it takes to make a car by reaching forward and using new equipment."

Herr Robert Stempel: An unpleasant task for a new managing director

But it is clear that the management problems this presents in terms of re-training workers to be skilled machine minders and maintenance workers instead of assembly line production staff, in terms of acquiring and installing new equipment, much of which may be in short supply, and in terms of relations with the German trades unions, in particular IG Metall, the Federal Republic's biggest union, are worrying the company.

As a result of these and other obstacles the new methods will have to be introduced in Germany gradually although the company is clearly pleased with the automated DM 500m paint shop now operating at its Rüsselsheim headquarters.

The 1980 results have clearly been a big disappointment to the company and are as much the result of mistakes in model and marketing policy as they are a reflection of the progressive weakening of the German and European car markets. In Germany, for example, where about half Opel's output is sold, new car registrations fell by 7.5 per cent to 2.4m last year.

Like the management of its parent company in the U.S. following the first oil shock however, Opel's executives failed to anticipate the marked change which has been taking place among German car owners who have been shifting their purchases towards smaller, more fuel-efficient cars.

The results are that Opel's sales slumped 15.5 per cent to DM 9.2bn in 1980 and net earnings, which had hit DM 253m in 1979, disappeared. Production fell 18 per cent to 792,800.

Beyond the absolute decline in output (volume of course is a key determinant of profitability for car producers) the shift in consumer preferences to smaller vehicles also hit the company hard. With one exception production of every model range in the Opel line fell in 1980—in the case of one larger car, the "Rekord," output was almost halved.

The exception was Opel's smallest car, the "Kadett," unit output of which rose from 292,000 to 418,000, or from just under one third to over half of total production. But while the plants involved in producing the Kadett were working at high levels of capacity and this year have been scheduled for overtime, other Opel facilities have to lay-off workers and introduce expensive short-time working.

The lack of a car in the market below the Kadett size was one factor behind the fall from 17.9 per cent to 16.6 per cent in Opel's market share. The company is hoping to get back to 16.9 per cent by the end of the year from the 16.3 achieved at the end of May.

Opel's hopes for a return to profitability are pinned partly on the better cost structure which has been achieved, on signs that the slump in the market may have bottomed out in Germany and on hopes that after an 8 per cent decline in export sales in the first half of 1981, factory sales in export markets will increase sharply in the second half of the year.

Mr Stempel, who only took on the job at the beginning of September 1980, has reason to remark that the task he has had "is not a particularly pleasant one for a new managing director."

Murdoch to join in Bass Strait oil project

By Colin Chapman in Sydney

MR RUPERT MURDOCH has followed the previous owners of The Times into oil exploration, winning substantial rights to renew exploration in Australia's Bass Strait, which separates Victoria and the island state of Tasmania.

Mr Murdoch's News Corporation is among the 13 companies chosen by the Australian Government to join a venture programme to expand known reserves in an area which is the country's most important single source of oil. Estimated costs of the venture range from A$100m (U.S.$114m) to A$250m.

The consortiums are to take over areas relinquished by the Esso-BHP partnership and mark for the first time for 20 years that fresh exploration teams have searched in the area of original discoveries.

Bass Strait has dominated Australia's energy supplies since 1964, and provided up to 44 per cent of the country's oil needs as well as all of the natural gas for the state of Victoria.

The most sought after area, V80-3, which attracted 13 tenders from 57 companies, is the one in which Mr Murdoch has a stake. The group is made up of Shell, with a 40 per cent interest, News Corporation (20 per cent), TNT (20 per cent), Crusader (15 per cent) and Mincorp Offshore (5 per cent).

Area V80-1 was won by a consortium headed by Australian Aquitaine Petroleum (25 per cent), Australian Occidental (25 per cent), Alliance Resources (25 per cent), Australian Gas Light (12.5 per cent) and Cluff Oil (12.5 per cent).

The third area, V80-2 was taken by the Australian offshoot of the U.S. Phillips group, Lend Lease, a property group, and MIM Holdings, the base metals miner, all with 33.33 per cent.

This is the first direct venture into oil exploration by Murdoch, although he became involved in oil last year when Ansett Transport Industries, a joint Murdoch, TNT partnership, acquired a significant holding in Santos, the South Australian oil and gas producer.

Saint-Gobain and Olivetti to absorb computer group

BY TERRY DODSWORTH IN PARIS

THE FRENCH Government has agreed to support Saint-Gobain, the diversified French industrial group, in a rescue plan for the ailing Logabax mini-computer concern.

Although the project has not yet been accepted by the unions, the Ministry of Industry has already let it be known that it is the only proposition it has found acceptable to solve the problems facing Logabax, the leading French company in its sector.

It will mean the injection of some FFr 70m ($12.7m) of new funds, of which FFr 20m will be provided by the State in the form of participating loans. Logabex incurred a loss of more than FFr 200m last year, and is now in the hands of a receiver.

The deal strengthens the relations between Saint-Gobain, which is aiming to become one of the leading French companies in the computer and information treatment industry, and Olivetti, the Italian office equipment concern in which the French group has a 30 per cent stake.

Under the agreement, Olivetti's French subsidiary will take 65 per cent of Logabax, with the other 35 per cent going to Machines Bull, the holding company for Saint-Gobain's computer interests. Saint-Gobain underlined in a statement that these varied shareholding arrangements would ultimately assure it of the overall control of Logabax.

At the same time, the deal will further consolidate the role of Saint Gobain, one of the companies on the Socialist Government's nationalisation list, as the champion of France's computer and computer-related industry.

Saint-Gobain effectively won Government approval as the main instrument for France's development in this sector when it took the majority shareholding in Machines Bull, thus gaining control of Cii-Honeywell Bull, the main French computer company. This was followed by the link-up with Olivetti, taking it into office equipment and computer peripherals.

The new scheme for Logabax may be difficult for the incoming Socialist administration to push through, as it involves redundancy for about 450 of the company's 1,500 workforce in France. While the company's workers are in an industry where it is relatively easy to find work in France, about 700 have already launched a sit-in on the grounds that the Saint-Gobain-Olivetti solution could easily lead to the abandonment of technical development in France in this sector.

Bigger half-year deficit at SAS

BY WILLIAM DULLFORCE, NORDIC EDITOR, IN STOCKHOLM

A CONSOLIDATED pre-tax loss of SKr 226.5m ($45.3m) is reported by Scandinavian Airlines System (SAS) for the first half of the year ending September 1981. This is SKr 22.4m more than the loss shown for the opening half of the 1979/80 year which ended with a total deficit of SKr 63m.

The SAS airline returned a loss of SKr 194m for the October-March period against a SKr 166m loss in the first half of the previous fiscal year on sales of SKr 3.3bn against SKr 3.6bn.

The interim report issued by Aerotransport, the Swedish company which owns just under half of SAS, offers no forecast for 1980/81 as a whole. Last month the SAS directors announced the appointment of a new managing director, Mr Jan Carlzon, with instructions to complete the re-organisation of the group and to return it to profit.

The first, winter half is always the weaker for SAS but the decline in traffic on its European routes and the increase in costs, notably on fuel, have been severe in the current year. The rise in the dollar exchange rate has also had a negative effect on earnings, as has the work-to-rule by air traffic controllers in Denmark.

During the period, SAS has reduced the scope of its operations and cut personnel in order to adjust to the recession which has hit the international airline business. Among other steps it has waived its options on four Airbus 300 aircraft.

● Statsföretag, the state holding company, reports a SKr 171m turnround into losses for the first four months of this year with a deficit of SKr 86m. Group sales advanced by 3.6 per cent to SKr 4.8bn.

The holding company is responsible for some 30 industrial and trading concerns, including LKAB, the iron mining company, ASSI, the pulp and paper company, and the state tobacco company.

State aid for Laenderbank

BY PAUL LENDVAI IN VIENNA

OESTERREICHISCHE Laenderbank, the third largest bank in Austria which last year slipped into the red and failed to pay a dividend, is to receive Sch 4bn ($236m) in state aid.

The amount of cash that the government is prepared to put up is a full Sch 1bn more than the figure originally projected after the collapse of two major industrial companies had saddled Laenderbank with a large amount of bad debt.

The failed companies were OEKG, an electrical group which went to the wall with debts totalling Sch 5bn, and the camera group Eumig. Already a major shareholder, Laenderbank took full control of Eumig last year.

The Federal state will take over the guarantee for the repayment of the Sch 4bn, while Laenderbank itself will treat the loan as a deposit subject to 8 per cent interest. The loan will be written off over 25 years and with 4 per cent of the sum written off annually in the Laenderbank profit and loss account.

At the same time, using the device of FGG, the state corporation for such operations, parliament has also voted to provide Sch 700m, half of which will go to cover part of the losses suffered by Credex, the Vienna subsidiary of the Midland Bank. The other half will be used to cover the losses suffered by scores of small and medium sized companies.

Offer of Belgian 'crisis' bonds pulls in BFr78bn

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

THE BELGIAN Government's 'crisis' bond issue in the domestic market has raised a total of BFr 78bn, more than the total underwritten amount of BFr 70bn but rather less than the BFr 100bn hoped for in the most optimistic government quarters.

Launched three weeks ago, the bond was designed to cover urgent budget requirements of the Government. It bore special tax advantages to attract back into the country funds that were being deposited abroad because of Belgium's 20 per cent witholding tax.

Government officials also attached particular importance to its result because the amount raised would help determine both the timing and amount of Belgium's next major foray into the Eurocredit market.

However, bankers in Brussels said yesterday that with the holiday period approaching they do not now expect another Belgian jumbo Eurocredit to be launched in the near future.

● Dutch merchant bank, Pierson Heldring en Pierson, plans to raise Fl 60m through an issue of eight-year bonds carrying a coupon of 11¼ per cent. The offering is to be priced next Monday.

INTL. COMPANIES & FINANCE

AUSTRALIA TIGHTENS UP SECURITY TRADING

A watchdog springs into being

BY COLIN CHAPMAN IN SYDNEY

AUSTRALIA began a new era in the regulation of its stock markets yesterday when the National Companies and Securities Commission opened its doors. Headed by Mr Leigh Masel a Melbourne solicitor, and with four other commissioners, it will have wide powers to implement Australia's first national legislation covering business and controlling the activities of all companies and the securities industry.

The NCSC will, in a move uncommon for Australia, cross state boundaries and administer takeover activity nationwide. When the new companies code is passed through Parliament, probably next January, the commission will have even wider powers and will almost certainly make a contribution to accounting standards.

Wake of Poseidon

Creation of the NCSC came in the wake of the Rae Committee of Inquiry into the securities industry, following the Poseidon boom of ten years ago. Although it will delegate many of its powers to the corporate affairs commissioners of the various states, as wel as to the stock exchanges themsleves, it will retain for itself a large amount of authority, particularly in the area of takeovers.

The new laws try to combine the commercial certainty of a detailed legal code with the flexible approach needed to prevent avoidance schemes, based on exploiting loopholes in legal language. These laws are based on five principles:

- That the acquistion of shares takes place in an efficient informed and competitive market.
- That the identity of a major bidder for shares be known.
- That shareholders have reasonable time to consider an offer.
- That shareholders have adequate information to allow them properly to assess an offer.
- That as far as possible shareholders have equal opportunity to allow them to participate in the benefits of an offer.

Considerable power and discretion has been given to the NCSC to enable it to perform its task, the greater power being an ability to declare that a particular acquisition or particular conduct is unacceptable if it breaches the spirit of the law even though complying with the letter of the law.

But many people believe that the NCSC's strongest weapon will be its right to hold a public inquiry into almost anything it wishes. If it finds that the market is not informed on a matter during a takeover or where there has been heavy trading it can call in all parties on very short notice to answer questions. Brokers might be required to reveal the identity of clients; merchant banks their instructions; nominee companies their beneficial owners. The commission has the power to take anybody to court for being in contempt, for example by failing to appear, or withholding information, with a penalty of not more than A$1,000 (US$1,150) and or a three months' prison sentence.

Mr Masel has pinpointed "insider trading" as an early target, although he acknowledges that no securities commission in the world has been able to stop the practice altogether. He defines the commission's short term aim as being to have an informed market, essential to "make it a free, honest place for people to put their money." He says: "The market which is informed is the market which will be efficient and which will encourage more people to invest directly in equity stocks. But the citizen has also an inalienable right to make a fool of himself."

Increased vigilance

Mr Masel made it clear that NCSC hopes it will not have to bare its teeth often, relying instead on the stock exchanges themselves to exercise more authority. Evidence of increased vigilance by the exchanges came on the commission's first day when trading in Hutton's the Melbourne meat group and Industrial Equity Limited (IEL), the investment group, were suspended. IEL has acquired 27 per cent of Huttons, and under stock exchange listing requirements should stand in the market for a month for remaining shares, at the higher price paid in building up the holding.

Until yesterday, the stock exchange listing requirements had had no legal backing.

Reverse takeover to give Metcash separate listing

BY JIM JONES IN JOHANNESBURG

METRO CORPORATION, the South African holding company in the Kirsh Industries Group, which has interests in wholesaling, retailing, and wines and spirits, has acquired 63 per cent of the equity in Safnit, a Shell company for R4.1m ($4.7m), in a move aimed at giving Metro Cash and Carry (Metcash), the group's wholesaling concern a separate Johannesburg Stock Exchange quotation.

The plan is to reverse Metcash into Safnit thereby obtaining the listings. At present, it is possible to acquire only an indirect interest in the R541m ($622m) turnover Metcash company, through Metro Corporation.

Safnit's only assets are R6m in cash. Once the acquisition of the 63 per cent from the controlling shareholders has been finalised the Metro group is to offer the remaining 37 per cent minority shareholders the same price—460 cents a share—for their holdings.

Metcash is one of South Africa's fastest-growing wholesale operations. In the 53 weeks to February 28, the R540.7m turnover showed a gain of 33.5 per cent, from R404.6m in the preceding 52 weeks. The pre-tax profit increased 39.7 per cent to R19.7m ($22.7m) from R14.1m.

Survey shows growth for U.S. companies in India

BY K. K. SHARMA IN NEW DELHI

A SURVEY of 30 U.S. companies in India has shown that, contrary to suggestions that foreign concerns are doing badly, they have increased their profits, turnover, assets and dividends, as well as their equity capital, substantially in the five years from 1976 to 1980.

The survey was made by the Indo-American Chamber of Commerce. The companies studied are covered for the most part by the Foreign Exchange Regulation Act (FERA), and operate in such fields as engineering, chemicals, pharmaceuticals, tyres, and consumer goods.

Combined sales increased by an average compound rate of 16 per cent, gross profits by 15. per cent, dividends by 19 per cent, retained profits by 17.8 per cent and equity capital by 2. per cent.

The growth of profits after tax was higher at 14.1 per cent, than that in profits before tax at 12.9 per cent. The performance, it is claimed, suggests an improved industrial and investment climate as well as market potential.

VONTOBEL EUROBOND INDICES
14.5.76=100%

PRICE INDEX	23.6.81	30.6.81	AVERAGE YIELD	23.6.81	30.6.81
DM Bonds	87.11	86.99	DM Bonds	10.448	10.47.
HFL Bonds & Notes	91.36	91.13	HFL Bonds & Notes	11.033	11.15
U.S. $ Strt. Bonds	84.11	83.78	U.S. $ Strt. Bonds	13.314	13.41
Can. Dollar Bonds	83.69	83.45	Can. Dollar Bonds	13.624	13.70

Advance at Malayan Cement

By Wong Sulong in Kuala Lumpur

MALAYAN CEMENT Berhad, the leading Malaysian cement producer, has reported an improvement in half-year earnings, and is declaring a one-for-one scrip issue.

The scrip, drawing on the company's reserves, will boost it's paid-up capital to 54m ringgit and is to be made to reflect the group's expanded operations.

For the six months ended May, Malayan Cement achieved an after-tax profit of 5.9m ringgit, an increase of 24 per cent over the previous comparable half.

The company said the teething problems encountered by its 100m ringgit new kiln at the Rawang factory were being solved gradually. It was difficult to forecast the full year's results since the new kiln would be responsible for a large part of the group's earnings.

An interim dividend of 11 per cent is declared. The new shares will not be entitled to the payment.

United Estates Projects to go public

By Our Kuala Lumpur Correspondent

A MAJOR MALAYSIAN housing company, United Estates Projects Berhad (UEP), is to get a listing on the Kuala Lumpur stock exchange, and is making a 25.5m share issue.

The one ringgit shares will be sold at 1.4 ringgit. Of these, 56 per cent will be reserved for Bumiputras (indigenous Malays), and 7.3 per cent for employees, with the rest for the public. The paid-up capital of UEP will rise to 75m ringgitt (US$32.4m).

The issue is expected to be heavily subscribed for. The company has forecast pre-tax earnings of 29.3 cents per share, and a dividend of 12.5 per cent, while adjusted net tangible assets per share are put at 2.05 ringgit.

UEP is jointly owned by Peremba Berhad, a subsidiary of the government-owned Urban Development Authority, and Intercontinental Housing Development of Hong Kong, which is part of the Malaysian Multi-Purpose Holdings group.

Associated Hotels ahead

BY ADRIAN BOVEN IN HONG KONG

ASSOCIATED HOTELS, which owns the Hyatt Regency in Hong Kong, has reported after tax profits for the six months to March 31, of HK$162.11m (US$29m), up almost fourfold from profits for the same period the previous year or HK$34.19m.

The interim dividend is set at 15 cents a share and shareholders will also receive a cash bonus of 12 cents a share, the same in both cases as the previous year.

The directors attributed the improved profits to sales of flats in a recently completed residential building and to better results from hotel operations.

Concern grows at Mexico's debt

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

MEXICO'S INTERNATIONAL borrowing bonanza has pushed it to the top of the league of Euromarket borrowers just at a time when the glut in world oil markets has forced the international banking community to take a second look at its international credit rating.

Provisional figures from Morgan Guaranty Trust show that Mexican private and public sector borrowers raised $4.85bn in publicised Eurocredits in the first half of this year, more than any other country and more than double the $2.18bn they raised in the first half of 1980.

The figures do not include the $4bn bankers acceptance facility arranged by Bank of America for Pemex, which is due to be signed in Los Angeles next Tuesday. Nor do they include several issues in the international bond markets which together push Mexico's total offtake from international markets to well over $9bn so far this year.

Until now it has been relatively easy for Mexico to raise such large sums because of the extraordinary faith of the banking community in the country's future as a leading oil exporter.

But the recent cut in its oil price—Pemex, the state-owned oil concern reduced the effective price of its crude by $4 to $30.60 a barrel last month—has left this faith somewhat shaken.

No matter that the Mexican Government is now fighting a rearguard action to restore the price to its previous level. The mere fact that a discount was announced at all has focussed attention on the development of the economy as a whole and the picture that emerges is far from flattering.

Bankers have also been bewildered by the haggling that has now lasted several weeks over the fine print in the documentation for a $1bn credit for the public works financing bank, Banobras, haggling that has delayed signature of at least two other large public sector credits.

Net Mexican petroleum exports virtually tripled last year to $9.6bn from only $3.4bn in 1979, but the country recorded a current account deficit of $6.6bn, sharply above the 1979 level of $4.9bn.

MEXICO DEBT SERVICE REQUIREMENTS ($bn)*

	1981	1982	1983	1984	1985
Principal	3.9	3.3	4.5	4.0	3.5
Interest†	4.1	3.6	3.2	2.7	2.4
Total	8.0	6.9	7.7	6.6	5.9

* Based on total public sector long-term debt outstanding at end 1980 of $32.3bn.
† Interest reflects average Libor level in second half 1980.
Figures may not add due to rounding.

Source: Mexican Government

Many of the factors behind this—high interest payments on foreign debt, stagnation of manufacturing exports and loss of tourism revenues because of the overvaluation of the peso, and low prices for non-oil commodity exports such as silver and coffee—are still operating this year.

In the first quarter the deficit on Mexico's current account balance of payments grew 249 per cent to $1.42bn.

For the full year the deficit has been officially forecast steady at around last year's level, but many bankers now expect the final outturn to be sharply higher as oil revenues fall to match their targeted gross level of $20.1bn. This is despite fresh import restrictions announced at the end of June.

A slight slowdown in economic growth from last year's 8 per cent level is now on the cards, but this seems unlikely to make much of a dent in inflation. Consumer prices rose 12.1 per cent in the first five months of the year compared with 13.2 per cent in the same period of last year.

The Government's budget deficit is this year projected to turn out at 297.9bn pesos ($12bn) compared with about 250bn pesos last year. In the first two months of 1981 public spending was 50 per cent up on last year.

But the factor which most worries international banks is the sheer size of Mexico's borrowing requirement. Sr Angel Gurria, the Finance Ministry official in charge of external borrowing, has recently put the needs of the public sector alone at $14bn to $15bn this year. At the end of 1981, he said, public sector debt outstanding would reach a total of $39bn.

Unlike Brazil, Mexico does not publish reliable statistics on private sector borrowing, but the most educated estimates assume that total private sector loans outstanding at the end of the year could total around $15bn, giving a total foreign debt of around $54bn.

This is getting uncomfortably close to the projected total debt of Brazil at the end of the year, which is officially forecast at around $60bn.

Meanwhile, to satisfy its needs in 1981 the Mexican public sector has to borrow more than $1bn a month on international markets, raising the fear among many bankers that sooner or later lending limits will have been reached.

Just recently the credit market has indeed begun to show some signs of saturation with Mexican borrowings. A $600m credit for the United Mexican States with a split margin of ⅜-½ over Libor or ¼-⅜ over U.S. prime has needed unusually aggressive sales techniques to make it a success.

Sr Gurria himself has stated that the $1.2bn extra finance required to cover the shortfall in oil revenues as a result of the price cut would not lead to even higher borrowing levels in international markets.

In a tacit admission that the market simply cannot sustain more credits he said that Mexico will simply reduce this year's anticipatory borrowing to cover 1982 needs.

At best, bankers say, spreads on Mexican loans have now reached rock bottom. Despite fierce assertions on the part of Mexico's Finance Ministry that the country is entitled to a place in the "⅜ over Libor league," the size of its borrowing means spreads could easily edge higher.

Digicon stays offshore in quest for oil

THE GROWTH in the world energy exploration industry has brought fame and fortune to many individuals as well as to public corporations. When the chairman of a U.S. oil search group revealed in London recently that the head of one of his most successful drilling crews, which is accustomed to search for oil and gas in the Gulf of Mexico or off the coasts of China or the Philippines, had previously been a London policeman, he was urged to keep quiet lest he bring about a mass desertion from the Force.

This story does reflect the opportunities open in the exploration industries—opportunities which have attracted financial entrepreneurs as well as London policemen.

The use of seismic surveys in offshore areas has encouraged the growth of specialist companies. Ships and equipment are not cheap, but neither are they expensive by oil industry terms: and there is no shortage of investment cash for energy exploration.

The search for new oil and gas reserves can prove too time consuming for the major oil companies. Consequently, geophysical oil search units often belong to major companies outside the oil industry: notable examples are Western Geophysical which is part of Litton Industries and GSI, part of Texas Instruments.

Among the handful of publicly quoted U.S. companies which earns the bulk of its profits from geophysical oil and gas exploration is Digicon, which has just sold 900,000 shares to the public for about $24m, with the intention of replacing bank debt.

Almost 90 per cent of group earnings of $2.34m last year came from Digicon's collection of seismic data for its customers. After collection, the data is processed at Digicon's data centres, of which there are five in the U.S., one in London and one in Singapore.

The company has four marine crews active at present and plans to have six ships at work by the end of next year. In addition, Digicon has an interest in eight ocean going supply ships, and minor manufacturing operations in medical products, cable and computer peripherals.

The directors see the company's future as one of bringing into harness the rapidly changing technology of the industry. Operations on land at present bring in only 5 to 10 per cent of profits and while the group would be happy to develop its land search potential, the brightest hopes for the future remain in the marine areas.

Terry Byland

Companies and Markets

CURRENCIES, MONEY and GOLD

Sterling weak

Sterling fell to its lowest level for nearly three years against the dollar in currency markets yesterday and its trade weighted index finished at a 16-month low. Continued switching out of sterling reflected high U.S. interest rates and earlier cuts in North Sea oil prices.

The dollar continued to improve with U.S. Federal fund rates quoted at around 21 per cent although this was technically higher because of banks' make-up day, and Euro-dollar rates were firmer by around ¼ of a point.

The Belgian franc showed a slight improvement from Tuesday but still remained weak within the European Monetary System. Other currencies were generally firmer, reflecting a fall in the value of sterling which although not a member of the EMS, is used in calculating the ECU.

STERLING — trade-weighted index (Bank of England) fell to 93.1 from 94.1, having stood at 93.2 at noon and 93.4 in the morning. Sterling fell to a low of $1.9015 against the dollar having opened at $1.9175 but recovered during the afternoon to touch $1.9215 before closing at $1.9025-1.9035, a fall of 2.75c and its lowest level since late July 1978. Against the D-mark it closed at DM 4.5925, its lowest level this year and down from DM 4.6275 on Tuesday. Against the French franc it fell to FFr 10.91 from FFr 11.03 but remained steady against the Swiss franc at SwFr 3.9500.

DOLLAR — trade-weighted index (Bank of England) rose from 109.0 to 109.8. The dollar was firmer all round, rising to DM 2.4125 against the D-mark compared with DM 2.3955 on Tuesday and SwFr 2.0740 against SwFr 2.0460. It was also firmer against the yen at Y228.10 from Y226.90 and rose to FFr 5.7355 against the French franc from FFr 5.7155.

D-MARK—Strongest member of the European Monetary System but losing ground once again to the strong dollar as U.S. interest rates remain firm. A reduction in Germany's large balance of payments deficit later this year, reflecting the better competitive position of German exports, may assist a recovery as long as U.S. interest rates do not show a further rise—The Bundesbank sold $12.8m at yesterday's fixing in Frankfurt and the dollar was higher at DM 2.4074 compared with DM 2.3909 on Tuesday. The intervention was seen as a token gesture as the dollar broke through the DM 2.40 level for the first time since early June and was not enough to stop the dollar from rising to DM 2.4150 in later trading. Elsewhere sterling slipped to DM 4.5970 from DM 4.6450 and the Swiss franc was lower at DM 1.1670 compared with DM 1.1770. Later in the day the pound came back slightly to DM 4.6020.

ITALIAN LIRA—Situated at the higher end of the EMS, the lira is still seen as being very vulnerable. A fall in tourism and the likelihood of a worsening balance of payments position have undermined the Italian currency. Moreover the expiry of the authorities' import deposit scheme in September may increase domestic liquidity levels and frustrate attempts to keep interest rates high—The lira was slightly firmer overall within the EMS in Milan yesterday but continued to lose ground against the dollar. The latter was fixed at L1,198.55 up from Tuesday's figure of L1,191.5. In later trading it was higher still at L1,200 with a continued firm trend in U.S. interest rates seen as the main factor underpinning the dollar.

THE POUND SPOT AND FORWARD

July 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.9015-1.9215	1.9025-1.9035	0.95-1.05c dis	−6.30	2.65-2.75dis	−5.67
Canada	2.2850-2.3025	2.2860-2.2870	1.50-1.60c dis	−8.13	3.95-4.10dis	−7.04
Nethlnd.	5.09-5.13	5.09¾-5.10¾	⅛c pm-⅜ dis	−0.29	⅞ pm-⅛ dis	0.29
Belgium	74.90-75.70	74.95-75.05	50-60c dis	−8.80	120-130 dis	−5.87
Denmark	14.39-14.47	14.39-14.40	5¼-6¼ore dis	−4.90	16½-18¼ dis	−4.81
Ireland	1.2590-1.2650	1.2600-1.2615	0.19-0.33p dis	−2.47	0.85-1.00dis	−2.93
W. Ger.	4.58½-4.62	4.58¾-4.59¾	⅛pf pm-⅜ dis	−0.33	⅛ pm-⅞ dis	−0.11
Portugal	121.50-122.20	121.55-121.75	55-120c dis	−8.63	155-320 dis	−7.81
Spain	182.70-183.90	183.15-183.35	95-130c dis	−7.37	315-360 dis	−7.37
Italy	2,278-2,285	2,279-2,281	25-27 lire dis	−13.68	75½-78½dis	−13.51
Norway	11.51-11.60	11.51½-11.52½	⅛ore pm-1 dis	−0.26	1⅞-⅛ pm	0.37
France	10.91-11.00	10.91-10.92	11-12c dis	−12.64	28-29½ dis	−10.53
Sweden	9.72-9.79	9.72-9.73	2½-3½ore dis	−3.55	6¾-7¾ dis	−2.98
Japan	433½-437	433½-434½	2.05-1.75y pm	5.25	5.85-5.45 pm	5.20
Austria	32.32-32.50	32.32-32.37	par-5gro dis	−0.93	1 pm-9 dis	−0.49
Switz.	3.92½-3.97	3.94½-3.95½	1⅛-⅞c pm	2.66	3-2½ pm	2.78

Belgian rate is for convertible francs. Financial franc 77.45-77.55. Six-month forward dollar 4.55-4.65c dis, 12-month 6.00-6.20c dis.

THE DOLLAR SPOT AND FORWARD

July 1	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.9015-1.9215	1.9025-1.9035	0.95-1.05c dis	−6.30	2.65-2.75dis	−5.67
Ireland†	1.5100-1.5170	1.5120-1.5140	0.28-0.38c dis	−2.62	0.79-0.90dis	−2.23
Canada	1.2012-1.2030	1.2025-1.2028	0.10-0.13c dis	−1.15	0.33-0.37dis	−1.16
Nethlnd.	2.6740-2.6830	2.6770-2.6800	1.31-1.21c pm	5.64	3.99-3.89 pm	5.88
Belgium	39.40-39.51	39.40-39.42	5-12c dis	−2.58	6-14 dis	−1.01
Denmark	7.5500-7.5825	7.5775-7.5825	0.60-0.35ore pm	0.75	1.90-1.40 pm	0.87
W. Ger.	2.4000-2.4185	2.4120-2.4130	1.13-1.07pf pm	5.47	3.28-3.20 pm	5.35
Portugal	63.80-64.10	63.80-64.00	par-30c dis	−2.82	par-80 dis	−2.50
Spain	95.83-96.30	96.25-96.30	5-15c dis	−1.24	30-45 dis	−1.56
Italy	1,196½-1,199¾	1,198-1,199	8-9½ lire dis	−8.76	23-26 dis	−8.17
Norway	6.0495-6.0800	6.0500-6.0550	3.40-2.90ore pm	6.24	8.50-7.00 pm	5.12
France	5.7300-5.7500	5.7330-5.7380	3-4c dis	−7.31	6½-8 dis	−5.05
Sweden	5.1040-5.1180	5.1100-5.1150	1.10-0.90ore pm	2.35	3.30-3.10 pm	2.50
Japan	227.00-228.60	228.05-228.15	2.10-1.95y pm	10.65	6.00-5.85 pm	10.39
Austria	16.95-17.02	17.01-17.02	7½-6gro pm	4.76	22½-18½ pm	4.82
Switz.	2.0475-2.0825	2.0735-2.0745	1.50-1.40c pm	8.39	4.10-4.00 pm	7.81

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

July 1	Bank of England Index	Morgan Guaranty Changes%
Sterling	93.1	−31.0
U.S. dollar	109.8	+3.1
Canadian dollar	88.0	−17.1
Austrian schilling	111.3	+21.7
Belgian franc	105.0	+8.9
Danish kroner	85.7	−11.5
Deutsche mark	116.2	+37.9
Swiss franc	136.4	+83.5
Guilder	108.0	+14.1
French franc	82.5	−11.5
Lira	57.5	−55.7
Yen	141.6	+35.7

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

June 30	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	12	0.592238	0.544116
U.S. $	14	1.15050	1.05450
Canadian $	19.08	1.38130	1.26582
Austria Sch.	6¾	Unavail.	17.6211
Belgian F.	15	45.1726	41.4071
Danish K.	11	8.62662	7.92879
D mark	7½	2.75097	2.52553
Guilder	9	3.06290	2.80814
French Fr.	9½	6.57856	6.02647
Lira	19	1370.94	1256.97
Yen	6¼	259.805	238.317
Norwgn. Kr.	9	6.91223	6.34651
Spanish Pts.	8	109.477	100.494
Swedish Kr.	12	5.85080	5.36372
Swiss Fr.	5	2.33687	2.15118
Greek Dr'ch.	20½	—	61.5987

OTHER CURRENCIES

July 1	£	$		£ Note Rates
Argentina Peso	8621-8641†	4502-4522†	Austria	32.20-32.50
Australia Dollar	1.6570-1.6610	0.8715-0.8720	Belgium	77.30-78.10
Brazil Cruzeiro	173.41-174.41	90.95-91.40	Denmark	14.35-14.50
Finland Markka	8.525-8.555	4.4915-4.4935	France	10.87-10.97
Greek Drachma	111.240-114.845	58.60-58.80	Germany	4.58½-4.62½
Hong Kong Dollar	10.56½-10.59½	5.55-5.56	Italy	2230-2280
Iran Rial	155.10*	79.70*	Japan	435-441
Kuwait Dinar (KD)	0.537-0.543	0.2835-0.2828	Netherlands	5.10-5.14
Luxembourg Frc.	74.95-75.05	39.40-39.42	Norway	11.55-11.65
Malaysia Dollar	4.4225-4.4325	2.3235-2.3265	Portugal	119-123
New Zealand Dlr	2.2455-2.2505	1.1805-1.1815	Spain	176½-184¾
Saudi Arab. Riyal	6.48-6.54	3.4085-3.4105	Sweden	9.69-9.79
Singapore Dollar	4.0675-4.0775	2.1370-2.1400	Switzerland	3.92-3.96
Sth African Rand	1.6975-1.6995	0.8920-0.8930	United States	1.90¾-1.92¼
U.A.E. Dirham	6.99-7.05	3.6705-3.6725	Yugoslavia	70-80

† Rate given for Argentina is the commercial rate. The financial rate for sterling is 12,531-12,551 and for the dollar 6,550-6,600. * Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU July 1	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	40.7985	41.3164	+1.27	+1.27	±1.5361
Danish Krone	7.91917	7.92102	+0.02	+0.02	±1.6413
German D-Mark	2.54502	2.52154	−0.92	−0.92	±1.1386
French Franc	5.99526	6.02004	+0.41	+0.41	±1.3638
Dutch Guilder	2.81318	2.80320	−0.35	−0.35	±1.5159
Irish Punt	0.685145	0.691451	+0.92	+0.92	±1.6688
Italian Lira	1262.92	1256.32	−0.52	−0.52	±4.1116

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

July 1	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.903	4.593	434.3	10.915	3.950	5.098	2280.	2.287	75.00
U.S. Dollar	0.525	1.	2.413	228.2	5.735	2.076	2.679	1198.	1.202	39.41
Deutschemark	0.218	0.414	1.	94.56	2.377	0.860	1.110	496.5	0.498	16.33
Japanese Yen 1,000	2.303	4.382	10.58	1000.	25.14	9.096	11.74	5250.	5.265	172.7
French Franc 10	0.916	1.743	4.208	397.8	10.	3.619	4.670	2089.	2.095	68.71
Swiss Franc	0.253	0.482	1.163	109.9	2.763	1.	1.291	577.2	0.579	18.99
Dutch Guilder	0.196	0.373	0.901	85.19	2.141	0.775	1.	447.3	0.449	14.71
Italian Lira 1,000	0.439	0.835	2.014	190.5	4.787	1.732	2.236	1000.	1.003	32.89
Canadian Dollar	0.437	0.832	2.009	189.9	4.774	1.728	2.229	997.2	1.	32.80
Belgian Franc 100	1.333	2.537	6.123	579.0	14.55	5.267	6.797	3040.	3.049	100.

FT LONDON INTERBANK FIXING (11.00 a.m. JULY 1)

3 months U.S. dollars		6 months U.S. dollars	
bid 17 11/16	offer 17 15/16	bid 17 5/8	offer 17 1/2

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

July 1	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	11-11¼	19-19¼	19-20	11¾-11⅞	1½-2	11⅞-12	25-35	18-22	14-17	6¼-6¾
7 days' notice	11⅜-11⅝	18¾-19	19-20	11 11/16-11 13/16	4-4½	11 13/16-12 1/16	25-35	25¼-28¾	15-18	6½-6¾
Month	11⅞-11 15/16	17½-17¾	19¼-19⅝	11¾-11⅞	9¼-9⅝	12 1/16-12 3/16	23-25	24¾-25¾	20½-21	6⅝-6⅞
Three months	12½-12⅝	17 7/16-17 11/16	19-19⅜	11⅝-11⅞	9 9/16-9 13/16	12⅜-12 7/16	22-23½	25¼-26¼	18¾-19¼	7¾-7½
Six months	12⅞-13	17½-17¾	18⅜-18¾	11¾-11⅞	9 9/16-9 13/16	12⅜-12 7/16	20½-22	25-26	17⅞-18⅝	7¼-8
One Year	13¼-13½	16⅝-16⅞	17¼-17⅝	11¾-11⅞	9-9⅛	12⅜-12 7/16	18¾-19¾	24¼-25¼	15⅝-17⅛	8-8¼

SDR linked deposits: one-month 15 11/16-15 9/16 per cent; three-months 15⅜-15½ per cent; six-months 15⅞-15½ per cent; one-year 14¾-15⅞ per cent.

ECU linked deposits: one month 15⅛-16⅛ per cent; three-months 15 9/16-15 15/16 per cent; six-months 15⅛-15½ per cent; one-year 14¾-15⅛ per cent.

Asian $ (closing rates in Singapore): one-month 17 5/16-17 7/16 per cent; three-months 17 11/16-17 13/16 per cent; six-months 17⅜-17⅝ per cent; one-year 16 9/16-16 11/16 per cent. Long-term Eurodollar two-years 15⅞-16⅛ per cent; three-years 15¾-16 per cent; four-years 16⅜-15⅞ per cent; five-years 15⅜-15⅝ per cent; nominal closing rates. Short-term rates are call for U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 18.00-18.10 per cent; three-months 17.50-17.60 per cent; six-months 17.15-17.25 per cent; one-year 16.10-16.30 per cent.

INTERNATIONAL MONEY MARKET

Belgian rates rise

Renewed pressure on the Belgian franc within the European Monetary System led to a further increase in Treasury note rates yesterday. The Belgian National Bank raised the interest rates on two-month Treasury certificates by ¼ per cent to 15 per cent, and on three-month certificates by a similar amount to 15¼ per cent. Rates on one-month notes remained at 14¾ per cent. On Tuesday the three-month rate rose from 14¾ per cent to 15 per cent.

The monthly report of the Belgian Economic Ministry warned yesterday that the economic outlook remains uncertain, and that much will depend on an improvement in industrial production, which according to the Ministry has stabilised at a relatively low level. Figures published by the central bank yesterday showed that support for the Belgian franc totalled the equivalent of BFr 10.9bn (£14.5m) last week as the currency weakened against the dollar and within the EMS. It has recently been at or near the lowest permitted level against the D-mark.

In Amsterdam interest rates were generally steady, with call money easing to 11½ per cent from 11¾-11¾ per cent. Next week's shortage of liquidity is expected to be met by another special discount facility to replace the 14-day advance expiring on Thursday. Any further advance may range between 11½ per cent and 12 per cent on present estimates.

In New York the overnight Federal funds rate was very firm at around 21¼ per cent in early trading, compared with 18¾ per cent on Tuesday.

GOLD

Continued decline

Gold lost $1¼ an ounce in the London bullion market yesterday to close at $424-427. Trading was quite active and the metal showed a steadier tendency after its recent sharp fall. In fact the opening level of $418-421 was the low of the day and it improved slowly to finish at its best level.

In Paris the 12½ kilo bar was fixed at FFr 85,500 per kilo ($462.86 per ounce) in the afternoon compared with FFr 89,500 ($489.23) in the morning and FFr 90,000 ($491.37) on Tuesday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 32,650 per kilo ($422.09 per ounce) against DM 32,590 ($424.04) previously and closed at $421-423 from $425-427.

	July 1		June 30	
Gold Bullion (fine ounce)				
Close	$424-427	(£222¼-224)	$426-428	(£221-222)
Opening	$418-421	(£218¼-219¼)	$423-424½	(£217½-218)
Morning fixing	$421.25	(£220.665)	$421.50	(£216.554)
Afternoon fixing	$422	(£221.174)	$426	(£219.249)
Gold Coins				
Krugerrand	$437½-438½	(£229½-230)	$440-441	(£228-228½)
1/2 Krugerrand	$225¾-226¾	(£118½-119)	$225-228	(£116¼-118)
1/4 Krugerrand	$115-116	(£60¼-60¾)	$115½-117½	(£60-60¾)
1/10 Krugerrand	$47-48	(£24½-25¼)	$47¼-48¼	(£24½-25)
Mapleleaf	$427-430	(£224-225½)	$428-432	(£222¼-223¾)
New Sovereigns	$106¼-107	(£55¾-56¼)	$107-107¾	(£55½-56)
King Sovereigns	$111-113	(£58¼-59¼)	$111-113	(£57½-58½)
Victoria Sovs.	$111-113	(£58¼-59¼)	$111-113	(£57½-58½)
French 20s	$112-117	(£58¾-61¼)	$112-118	(£58-61)
50 pesos Mexico	$526-531	(£275¾-278½)	$529-533	(£274-276)
100 Cor. Austria	$411-415	(£215½-217½)	$415-418	(£215-216½)
20 Eagles	$550-555	(£288¼-291)	$550-555	(£285-287½)

UK MONEY MARKET

Full supply

Bank of England Minimum Lending Rate 12 per cent (from March 10 1981)

Short term interest rates in the London money market showed no reaction to the weakness of sterling yesterday. Rates for periods from nine months to a year were unchanged, while very short term rates declined as a reflection of the surplus of day-to-day funds. In the interbank market three-month money eased to 12½-12 11/16 per cent from 12 9/16-12¾ per cent.

With money in abundant supply the authorities absorbed part of the surplus by selling a small amount of Treasury bills to the discount houses and banks.

Banks brought forward moderate surplus balances, and the market was also helped by a small excess of Government disbursements over revenue payments to the Exchequer.

Discount houses paid around 10¼-10½ per cent for secured call loans for the most part, but some balances were picked up at 9 per cent. Overnight interbank money closed around 8 per cent.

MONEY RATES

NEW YORK

Prime Rate	20
Fed. Fund	21¼-21½
Treasury Bills (13-week)	14.48
Treasury Bills (26-week)	14.10

GERMANY

Special Lombard	12.00
Overnight Rate	11.95
One month	12.85
Three months	13.00
Six months	12.95

FRANCE

Intervention Rate	22
Overnight Rate	19
One month	18.25
Three months	17.875
Six months	16.875

JAPAN

Discount Rate	6.25
Call (Unconditional)	7.1875
Bill Discount (three-month)	7.53125

LONDON MONEY RATES

July 1 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	8-11¼	11-11½	—	—	10½-11½	9-11¼	—	—	—
2 days notice	—	—	11½-11¾	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	11¼-11⅝	11¾-11⅞	—	11⅝	11⅜-11⅞	11-11½	—	—	—
One month	11 15/16-11 13/16	11¾-11 13/16	11⅞	12⅞-12⅝	12	12¼-12⅝	11⅛	11½	11 27/32	12¼
Two months	12¼-12⅛	12 1/16-12 3/16	—	12⅞-12⅝	12 3/16	12½	11¾	11¾	11¾	12⅜
Three months	12 9/16-12 7/16	12½-12 11/16	12½	12⅞-12⅝	12 11/16	12⅞	12	11⅞-11 29/32	11 13/16-12	12⅝
Six months	12 11/16-12 15/16	12 13/16-12 15/16	12¾	12⅞-12⅝	13 1/16	13¼	—	—	12¼	12⅞
Nine months	13-12⅞	13-13⅛	—	13⅛-13⅛	13⅜	13⅜	—	—	—	—
One year	13⅛-13	13⅛-13 1/16	13¼	13⅜-13⅛	13⅜	13⅛	—	—	—	—
Two years	—	—	13⅝	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three-year 13¾ per cent; four-year 14 per cent; five-years 14¼ per cent. ♦ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12⅛-12 3/16 per cent; four-months trade bills 12⅝.

Approximate selling rate for one-month Treasury bills 11⅜ per cent; two-months 11⅜ per cent; three-months 11⅞-11 25/32 per cent. Approximate selling rate for one-month bank bills 11¾-11 27/32 per cent; two-months 11 27/32 per cent; three-months 11 27/32 per cent; one-month trade bills 12 per cent; two-months 12¼ per cent and three-months 12 5/16 per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 13 per cent from July 1 1981. Clearing Bank Deposit Rates for sums at seven days' notice 9 per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rates of discount 11.8780 per cent.

Business and Investment Opportunities

READERS ARE RECOMMENDED TO TAKE APPROPRIATE PROFESSIONAL ADVICE BEFORE ENTERING INTO COMMITMENTS

APPOINTMENTS

Managing director at Esso Petroleum

Mr. R. A. Bray has been appointed managing director with responsibility for exploration and production at ESSO PETROLEUM COMPANY. He has previously held a number of exploration/production appointments with Esso Resources Canada, Esso Europe and Esso Petroleum.

Mr. B. A. Sachs has been appointed executive director with responsibility for natural gas and was previously executive vice president, Exxon International Company.

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ERNST AND WHINNEY has admitted to partnership: Mr. G. Burnie (Aberdeen), Mr. E. G. Carter (Birmingham), Mr. S. J. Abbott, Mr. T. J. A. Curry, Mr. N. H. Dobson (investigations department), Mr. R. C. Halliwell and Mr. J. L. L. Underhill (London).

★

Mr John Ramsden has been appointed a managing director of SELSDON (MANAGEMENT) which will be writing a UK motor insurance account for St Katherine Insurance Co. He was formerly a director of Sphere Drake (Underwriting).

★

Mr M. T. Watkins has been appointed marketing director of BAXTER FELL NORTHFLEET. Mr M. J. Martin has been made joint managing director with Mr A. J. Smyth-Tyrrell and Mr B. G. Frostick commercial director of Baxter Fell and Co. (Tower Wharf). Mr P. Baker, Mr D. M. Davis and Mr A. J. Smyth-Tyrrell have been appointed directors of Estel (UK).

★

Mr David Storey has been appointed managing director of LKB BIOCHROM having been general manager for the last 12 months. Mr Peter Cox, managing director of LKB Instruments has also been appointed to the LKB Biochrom Board.

★

Mr David H. Maitland has been appointed to the Board of LONDON ATLANTIC INVESTMENT TRUST PLC.

★

Mr Jerry Bartlett has been appointed a director of TARMAC NATIONAL CONSTRUCTION. He continues to lead the company's design and construct division. Mr Bartlett also continues to be responsible for management contracts but relinquishes his connection with the mechanical and electrical division. This becomes the direct responsibility of Mr George Cummings.

★

JARDINE THOMPSON GRAHAM has made the following appointments:

Jardine Thompson Graham (Non - Marine Reinsurance Brokers): Mr D. E. Corben, chairman; Mr A. C. Liddle, managing director; Mr T. Monaghan, financial director; Mr R. Tjoa, senior director; Mr P. V. Dix, Mr D. Forcey, Mr M. Hansen, Mr C. Lloyd, Mr J. D. McNamara, Mr D. J. C. Makins, Mr R. Pease, Mr D. Stimpson and Mr B. West directors.

Jardine Thompson Graham (Marine Reinsurance Brokers): Mr D. E. Corben, chairman; Mr A. J. Gordon, managing director; Mr T. Monaghan, financial director; Mr K. Buller, Mr R. A. Cracknell, Mr D. Knight, Mr A. C. Liddle, Mr R. Tjoa and Mr J. Toomey, directors.

Jardine Thompson Graham (Aviation Brokers): Mr D. E. Corben, chairman and managing director; Mr K. Brown, deputy chairman; Mr T. Monaghan, financial director; Mr K. T. Barham, Mr M. Brookman, Mr T. F. Brown, Mr J. Chapman, Mr R. A. Cracknell and Mr N. Fenner-Fownes, directors.

Jardine Thompson Graham (Underwriting Management): Mr D. G. Lyon, chairman; Mr T. Monaghan, financial director; Mr M. F. Baird, Mr K. Brown and Mr D. E. Corben, directors.

★

The following have been appointed directors of NORDIC BANK: Mr Joseph Clark, head of the personnel department; Mr Piers Eley, head of financial and legal services; Mr Lars Evander, head of the investment banking department; and Mr Gerhard Tarantik, head of the treasury and foreign exchange department.

Mr John Ratner (Eurosecurities sales and trading) becomes an associate director, and the following become senior managers: Mr Jan Berge (shipping); Mr Alistair Black (shipping); Mr Magne Fosheim (regional manager for Norway); Mr Hans Eric von der Groeben (Nordic Asia); Mr Clive Grumball (treasury); Mr David Herd (project finance); Mr David Hylton (operations); Mr Ronald Petford (credit services); Mr Stewart Smith (leasing); and Mr Ilkka Sulamaa (regional manager for Finland).

★

Mr M. J. Rusby has been appointed a director of HOLMWOODS AND CRAWFURD (MARINE AND INTERNATIONAL). Mr P. J. Golding and Mr B. J. Rodgers have been appointed assistant directors.

★

Mr J. A. E. Bassett is appointed managing director of C. E. HEATH AND CO (AVIATION) and C. E. HEATH AND CO (AVIATION REINSURANCE BROKING). Mr J. L. Leigh is appointed an assistant director of the latter company.

★

Mr Denys Gordon Milne has been appointed as a non-executive director of SILKOLENE LUBRICANTS. He has recently retired as a chief executive of BP Oil. Mr Wilson Carter has retired as a non-executive director.

★

Mr K. R. F. Bird has been appointed group company secretary in succession to Mr J. A. S. Cox to enable the latter to concentrate on his widened responsibilities as group financial controller at YULE CATTO.

★

Mr K. J. Peters of Aberdeen Journals has been appointed a director of THOMSON NORTH SEA and THOMSON SCOTTISH PETROLEUM. Mr Peters is relinquishing the chairmanship of Aberdeen Journals, but is to remain a director of the company.

★

Mr A. Sidney Rosen has been appointed managing director of FIBI FINANCIAL TRUST, the newly-established UK subsidiary of The First International Bank of Israel, and also the UK representative of the bank.

★

Mr G. H. A. Dare has resigned from the board of CATER RYDER AND CO. but remains a consultant.

★

FIRST CITY NATIONAL BANK OF HOUSTON has appointed Mr J. Pat Parsons to succeed Mr Martin C. Bowen as general manager, London branch. Mr Parsons, vice-president, was transferred to London in 1979 and presently serves as manager, credit and corporate development. Mr Brian A. Gibson, vice-president and manager, administrations and operations, will become deputy general manager. Mr Martin C. Bowen, senior vice-president, will return to Houston in August for a management assignment within First City Bancorporation of Texas, Inc.

★

Mr Roger Bradley has been appointed secretary of the refrigeration and unit air conditioning group of the HEATING AND VENTILATING CONTRACTORS' ASSOCIATION. He has been a regional and committee secretary of the Glass and Glazing Federation since 1977.

★

Mr David Korda has been appointed to the main board of FILM FINANCES.

★

Mr Paul Saulter has been appointed chief executive of the MANCHESTER CHAMBER OF COMMERCE. Mr Saulter is secretary-general of the British Chamber of Commerce, France, in Paris. He succeeds Mr Alan Mack, who retired in March on health grounds, in September.

★

CHILTERN WATER TREATMENT CO, the packaged plant subsidiary of the Dewplan water and effluent group, has made the following appointments: Mr Richard Hill has been appointed marketing director. Mr Martyn Robinson, head of the company's system design division, has become technical director. Mr Ian Stanbury is appointed production director, and Mr Jeff Brydon sales director

★

Mr Kenneth Bacon will join the MEL division of PHILIPS ELECTRONICS on August 1 as managing director (designate) and will be appointed managing director on January 1, 1982, after the retirement of Mr Brian Terry. Mr Bacon is currently group chief executive of Fairley Holdings.

BASE LENDING RATES

A.B.N. Bank	12 %	Grindlays Bank	†12 %
Allied Irish Bank	12 %	■ Guinness Mahon	12 %
American Express Bk.	12 %	■ Hambros Bank	12 %
Amro Bank	12 %	Heritable & Gen. Trust	12 %
Henry Ansbacher	12 %	■ Hill Samuel	§12 %
AP Bank Ltd.	12 %	C. Hoare & Co.	†12 %
■ Arbuthnot Latham	12 %	Hongkong & Shanghai	12 %
Associates Cap. Corp.	12 %	Knowsley & Co. Ltd.	14 %
Banco de Bilbao	12 %	Langris Trust Ltd.	12 %
BCCI	12 %	Lloyds Bank	12 %
Bank of Cyprus	12 %	Mallinhall Limited	12 %
Bank of N.S.W.	12 %	Edward Manson & Co.	13 %
Banque Belge Ltd.	12 %	Midland Bank	12 %
Banque du Rhone et de la Tamise S.A.	12½%	■ Samuel Montagu	12 %
Barclays Bank	12 %	■ Morgan Grenfell	12 %
Beneficial Trust Ltd.	13 %	National Westminster	12 %
Bremar Holdings Ltd.	13 %	Norwich General Trust	12 %
Bristol & West Invests.	13 %	P. S. Refson & Co.	12 %
Brit. Bank of Mid. East	12 %	Ryl. Bk. Canada (Ldn.)	12 %
■ Brown Shipley	12½%	Slavenburg's Bank	12 %
Canada Perm't Trust	13 %	E. S. Schwab	13 %
Cayzer Ltd.	12 %	Standard Chartered	‖12 %
Cedar Holdings	12 %	Trade Dev. Bank	12 %
■ Charterhouse Japhet	12 %	Trustee Savings Bank	12 %
Choulartons	12 %	TCB Ltd.	12 %
C. E. Coates	12 %	United Bank of Kuwait	12 %
Consolidated Credits	12 %	Whiteaway Laidlaw	12½%
Co-operative Bank	*12 %	Williams & Glyn's	12 %
Corinthian Secs.	12 %	Wintrust Secs. Ltd.	12 %
The Cyprus Popular Bk.	12 %	Yorkshire Bank	12 %
Duncan Lawrie	12 %		
Eagil Trust	12 %		
E. T. Trust Limited	12 %		
First Nat. Fin. Corp.	14 %		
First Nat. Secs. Ltd.	14 %		
Robert Fraser	12 %		
Antony Gibbs	12 %		
Greyhound Guaranty	12 %		

■ Members of the Accepting Houses Committee.
* 7-day deposits 9%, 1-month 9[illegible] Short term £4,000/12 m[illegible] 11.85%.
† 7-day deposits on sums of £[illegible] and under 9%, up to £50[illegible] and over £50,000 10%.
‡ Call deposits £1,000 an[illegible]
§ Demand deposits 9½%.
‖ 21-day deposits over £1,000 10½%.

WORLD STOCK MARKETS

Further early Wall St slide

THE RECENT weakening trend continued on Wall Street in active early dealings yesterday, with the decline gathering pace around mid-session as investors remained concerned about *interest rates.*

By 1 pm. the Dow Jones Industrial Average had lost 7.04 more at 696.84, bringing the fall *since last* Friday's close to 23 points. The NYSE All Common Index slipped a further 55 cents to $75.60, while declines led advances *by more than a two-to-one* margin. Turnover increased to 37.35m shares from Tuesday's 1 pm total of 28.27m.

Analysts said recent *economic* statistics point to a slowing in the economy, which should lead to lower inflation and interest rates, but investors are still looking for a sign that interest rates will decline substantially.

The market is looking ahead to next Tuesday's Federal open market committee meeting for clues to Federal Reserve policy, although most doubt that any major changes will emerge from the meeting. Analysts noted that Treasury Secretary Regan said he expects the Fed to maintain its *present monetary policy.*

General Portland slipped ½ to $37¾. It has rejected Canada Cement Lafarge's offer of $45 *a share.*

Jack Eckerd eased ½ to $44, despite declaring a three-for-two stock split.

Conoco, the most actively traded issue, gained 1⅜ to $66¾. It is suing to block Seagram's take-over offer.

THE AMERICAN SE Market Value Index shed 1.96 to 372.67 at 1 pm. Volume 3.23m shares (2.85m).

Tokyo

Shares finished mixed to firmer after a fairly large turnover, with the Nikkai-Dow Jones Average climbing 27.51 further to an all-time peak of 7,894.93.

The Tokyo SE Index added 0.92 at 587.07, while gains narrowly led declines by 327 to 315 on the First Market section after volume sharply increased to 560m shares from Tuesday's 360m.

However, transactions by foreign investors were slow, reflecting the yen's fall against the U.S. dollar.

Buying interest among smaller investors increased for medium-priced Blue Chips, but some front-runners in high-priced

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Markets in Canada were closed yesterday for Canada Day, *while* Hong Kong markets were also closed for a public holiday.

Light Electricals and large-capitals declined on profit-taking. Machine Tools and Industrial Robot Makers relinquished fresh ground, but Optical Fibre Makers were higher.

Printings, Communications, *Film Makers,* Pharmaceuticals, Synthetic Fibres, Securities companies and Chemicals were favoured, but Heavy Electric Machines, Steels, Shipbuildings were avoided because of a high outstanding balance of purchases on margin trading.

Motors improved. Brokers said those shares, having already undergone a period of correction last month, have started regaining strength.

Fuji Photo put on Y30 to Y1,830. Yamanouchi Pharmaceutical Y70 to Y1,380, Dai Nippon Printing Y20 to Y845, Toray Y6 to Y326, Asahi Chemical Y10 to Y295. Daiwa Securities Y16 to Y408. Sumitomo Elec. Y8 to Y515 and *Toyota* Motor Y60 to Y1,450.

However. Sony lost Y130 to Y4,700. Hitachi Y12 to Y685, Nippon Kokan Y5 to Y220, Mitsui Shipbuilding Y8 to Y223, Kawasaki Heavy Y8 to Y222, Toshiba Machine Y6 to Y696, and Nippon Optical Y27 to Y895.

Closing prices for North America were not available for this edition.

Germany

Shares rose afresh in lively trading. Brokers noted increased purchasing from professional and foreign investors amid marked optimism of a turnround for the West German economy by the end of this year. The Commerzbank index put on 7.0 *more to a high for the year of* 746.0.

Daimler again led Motors ahead, rising DM 4 to DM 357.50 for a two-day advance of DM 11.50. The company informed shareholders yesterday that higher first-half sales point to steady earnings and an unchanged dividend for 1981.

Machine Manufacturers were also strong again, Babcock adding DM 5 and Linde DM 4.

Paris

The recent buying support *for* the market was lacking yesterday, causing prices to be mostly marked down in quiet trading. *The Indicator de Tendance index* receded 1.2 to 82.1. Falls outscored rises by 126 to 50 in the French section.

Market observers said *one* factor contributing to the easier tone was the absence of open-ended Mutual Funds specialising *in* French *stocks.* These funds, which are obliged to have 60 per cent of their portfolios composed of French securities at the end of every quarter, had been active buyers in recent days.

Banks were well-maintained on the whole, however, especially credit-oriented institutions, following the decision of the French monetary authorities to reduce the banks' minimum reserve requirements by one-half in order to pull interest rates lower. Some banks on Tuesday cut their base rates *to 15.9 per* cent fro m17.

Also, Foods, Textiles and Transportation issues tended to improve in contrast to the general downtrend.

Peugeot SA, *which said it no* longer expects improved trading results for its French car subsidiaries, shed FFr 1.2 to FFr 124.6.

Creusot-Loire fell FFr 2.6 to FFr 34.4 despite announcing a FFr 1bn paper mill contract with Colombia, while Saint-Gobain-Pont-a-Mousson, which said it will take control of Logabax, lost FFr 3.8 to FFr 112.2.

Australia

Bargain hunting left shares firmer for choice at the start of the new Financial Year, but the undertone remained unsettled by mounting upward pressure on interest rates.

Trading was dominated by *Banking stocks, which provided* an all-round strong sector. Bank of NSW, which raised its Prime rate to a record 15.75 per cent *earlier this week, rose 12 cents* to A$3.25. CBC advanced 16 cents to A$6.70 and National 5 cents to A$2.72, while ANZ and CBA gained *10 cents* apiece to A$5.30 and A$7.30 respectively.

Among issues associated with the Bass Strait *oil lease* tenders, AGL rose 15 cents to A$3.90 but BHP shed 10 to A$14.90.

Johannesburg

Gold shares were narrowly mixed in nervous trading as the Bullion price managed to hold above the $420 mark.

In first-time dealings, Driefontein Consolidated, formerly East Driefontein, closed at R25.50, against East Drie's R26.25 close on Tuesday, following completion of the East Driefontein-West Driefontein merger.

Singapore

Profit-taking caused a fresh reaction from the *market's* recent record high. The Straits Times Industrial index, which set an all-time peak of 93.26 last *Friday, declined 7.97 to 959.3.*

Among generally lower Properties, Selangor Properties having risen S$3.60 since June *retreated* S$1.10 to S$11.50, after 19. The Kuala Lumpur Stock Exchange asked the company to comment on a report in the local Press that the property developer had bought the Asian House building in Hong Kong.

Indices

NEW YORK —DOW JONES

	June 30	June 29	June 26	June 25	June 24	June 23	1981 High	1981 Low	Since Cm'pil't'n High	Since Cm'pil't'n Low
◆Industr'ls	976.88	954.59	992.87	986.77	998.33	1006.65	1024.05 (27/4)	931.57 (15/2)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me Bnds	60.47	60.79	60.82	61.05	61.38	61.42	65.78 (15/1)	58.57 (7/5)	—	—
Transport.	415.18	414.88	419.37	422.29	424.05	425.88	447.38 (16/4)	379.18 (20/2)	447.38 (16/4/81)	12.23 (8/7/32)
Utilities	107.88	108.65	108.76	109.58	109.82	111.01	117.81 (5/1)	105.88 (5/5)	163.32 (20/4/69)	10.5 (28/4/42)
Trading Vol 000†	41,550	37,830	39,240	45,920	48,050	51,840	—	—	—	—

◆Day's high 988.01 low 972.70

	June 26	June 19	June 12	Year ago (approx)
Ind. div. yield %	5.50	5.48	5.48	5.99

STANDARD AND POORS

	June 30	June 29	June 26	June 25	June 24	June 23	1981 High	1981 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls	147.59	148.25	149.94	149.28	149.38	149.69	157.02 (6/1)	145.76 (2/2)	160.96 (28/11/80)	3.52 (30/6/32)
Composite	131.25	131.89	132.56	132.81	132.66	133.35	138.12 (6/1)	125.58 (20/2)	140.52 (28/11/80)	4.40 (1/6/32)

	June 24	June 17	June 10	Year ago (approx.)
Ind. div. yield %	4.74	4.73	4.75	4.99
Ind. P/E Ratio	8.98	9.51	9.46	7.79
Long Gov. Bond yield	12.92	12.48	12.56	9.77

N.Y.S.E. ALL COMMON

June 30	June 29	June 26	June 25	1981 High	1981 Low
76.16	76.58	76.97	77.11	79.14 (6/1)	72.45 (20/2)

Rises and Falls	June 30	June 29	June 26
Issues Traded	1,906	1,899	1,867
Rises	483	484	589
Falls	1,054	1,051	892
Unchanged	369	364	386
New Highs	20	37	26
New Lows	22	18	11

MONTREAL

	June 30	June 29	June 26	June 25	1981 High	1981 Low
Industrials	401.52	398.89	406.94	403.89	409.56 (27/5)	356.28 (20/2)
Combined	389.79	388.12	373.82	371.88	375.16 (27/5)	339.34 (20/2)
TORONTO Composite	2391.1	2381.4	2385.3	2356.9	2378.8 (10/4)	2151.4 (20/2)

	July 1	June 30	June 29	June 26	1981 High	1981 Low
AUSTRALIA						
All Ord. (1/1/80)	699.9	699.6	698.7	700.1	757.5 (6/4)	641.1 (17/2)
Metal & Minrls. (1/1/80)	574.0	574.5	576.5	565.4	755.2 (7/1)	554.9 (5/5)
AUSTRIA						
Credit Aktien (2/1/62)	58.17	58.78	59.31	60.09	68.45 (5/1)	58.78 (30/6)
BELGIUM						
Belgian SE (31/12/63)	74.40	75.95	75.69	75.27	88.15 (17/2)	69.56 (16/6)
DENMARK						
Copenhagen SE (1/1/73)	115.27	115.77	115.27	115.4	116.27 (1/7)	95.68 (2/1)
FRANCE						
CAC General (29/12/61)	80.2	81.8	81.2	81.0	112.6 (17/3)	77.3 (15/6)
Ind Tendance (31/12/80)	82.1	83.3	82.4	82.1	108.8 (15/5)	79.2 (12/6)
GERMANY						
FAZ-Aktien (31/12/58)	242.17	240.54	239.06	238.64	242.17 (1/7)	215.88 (9/2)
Commerzbank (Dec. 1953)	746.0	739.0	735.1	732.9	746.0 (1/7)	656.4 (16/2)
HOLLAND						
ANP-CBS General (1970)	94.0	94.6	94.7	95.5	98.2 (24/6)	85.7 (2/1)
ANP-CBS Indust. (1970)	74.1	74.5	74.9	75.1	76.4 (22/5)	62.8 (2/1)
HONG KONG						
Hang Seng Bank (31/7/64)	(c)	1734.58	1758.94	1787.57	1780.55 (12/6)	1295.44 (11/5)
ITALY						
Banca Comm Ital (1972)	228.21	230.58	231.76	231.65	292.05 (5/6)	173.38 (5/1)
JAPAN						
Dow Average (16/5/49)	7894.93	7867.42	7851.73	7728.0	7894.93 (1/7)	6956.62 (16/5)
Tokyo New SE (4/1/68)	587.07	586.15	585.32	578.25	587.07 (1/7)	495.78 (5/1)
NORWAY						
Oslo SE (1/1/72)	118.74	116.75	116.10	115.25	127.67 (4/5)	110.34 (5/6)
SINGAPORE						
Straits Times (1966)	959.65	967.60	966.60	975.29	975.29 (26/6)	658.51 (2/1)
SOUTH AFRICA						
Gold (1958)	(u)	475.7	479.7	515.1	797.6 (7/1)	475.7 (30/6)
Industrial (1958)	(u)	585.7	588.4	587.1	655.5 (1/6)	537.2 (5/2)
SPAIN						
Madrid SE (30/12/80)	134.58	136.25	(c)	137.70	141.48 (17/6)	100.49 (2/1)
SWEDEN						
Jacobson & P. (1/1/58)	581.91	575.48	577.27	574.47	581.91 (1/7)	406.17 (20/1)
SWITZERLAND						
SwissBankCpn. (31/12/58)	288.8	288.2	287.1	287.2	304.2 (2/4)	279.8 (27/5)
WORLD						
Capital Intl. (1/1/70)	—	154.6	155.1	154.7	162.8 (6/1)	149.8 (17/2)

Base values of all indices are 100 except Australia All Ordinary and Metals—500: *NYSE All Common—50; Standard and Poors—10; and Toronto—1,000;* the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 Industrials plus 40 Utilities, 40 Financials and 20 Transports. c Closed. u Unavailable.

NEW YORK ACTIVE STOCKS

Tuesday	Stocks traded	Closing price	Change on day
Conoco	1,004,800	65⅜	− ½
Texasgulf	823,500	47⅜	− ⅛
Northwest Util.	633,800	8¾	—
RCA	628,200	23	+ ½
Std. Oil Calif.	520,8000	37⅞	+ ¾
Sears Roebuck	511,800	19⅛	− ⅛
Texas Util.	483,300	20⅞	− ⅛
Am Tel. & Tel	478,000	56⅝	− ⅛
Cities Service	441,500	52⅝	+2
Sony	439,600	20⅛	− ⅛

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. § Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all.

Financial Rand US$0.83 (Discount of 27%)

COMMODITIES AND AGRICULTURE

Soviet grain short of rain

WASHINGTON—Spring grains in the Soviet Union, which should be in the heading stage, may have suffered substantial decline in yields as a result of persistent hot, dry weather through the first part of last week, the joint agricultural weather facility of the U.S. Department of Agriculture and Commerce said.

In the international weather and crop summary, the agency said in the Chernozem region, Lower Volga, eastern Ukraine, and northern Caucasus had only scattered rainfall in the week.

It said temperatures moderated later in the week, but still remained well above normal. Winter grains were nearing maturity and probably avoided any damage from the adverse weather.

Potential yields of spring grains will continue to decline unless rainfall arrives very soon, it added.

Meanwhile cold weather last week may have adversely affected the wheat crop in western and northern portions of Parana, Brazil, as the crop should be in the heading stage.

The agency said wheat is especially susceptible to frost damage in the heading stage; with damage usually becoming apparent a few weeks after the frost when indications of no seedset in the heads become observable.

Reuter

Cocoa pact decision sends prices soaring

BY OUR COMMODITIES STAFF

AGREEMENT on provisional application of the International Cocoa Agreement in spite of continued refusal of some key producers and consumers to ratify the pact sent cocoa prices soaring on the London futures market yesterday.

By the close the September position was quoted at £964.50 a tonne, up £111 on the day.

Dealers said the news on the agreement brought a wave of speculative buying that pushed nearby prices up the £40 permissible limit in the morning. After the mandatory halt in trading, the upsurge continued.

Brij Khindaria writes from Geneva: The decision to operate the International Cocoa Agreement in spite of the absence of the U.S. and the Common Market—which together account for 84 per cent of world cocoa consumption — and the Ivory Coast—which provides 22.5 per cent of total exports—sets an uncomfortable precedent which could embarrass consumer countries.

The decision was taken late on Tuesday by 17 out of 32 countries invited to a two-day emergency meeting in Geneva by the UN Conference on Trade and Development UNCTAD). The agreement reached last year will now be applied provisionally starting on August 1.

The accord's governing council will meet in London during August to work out details of how cocoa prices will be stabilised above a floor of 110 cents a pound through purchases for storage in a buffer stock. The floor price compares with the current 70c to 75c price level on cocoa markets.

Only a handfull of small consumers, including Nordic countries and the Soviet Union, have so far entered the new agreement. However, several of them made clear that they would be very reluctant to go along with an attempt by producers in the forthcoming Cocoa Council to authorise immediate cocoa purchases to boost prices quickly. They still hope that the EEC will decide to enter the accord in the near future.

The countries so far in the agreement do have the means to start cocoa purchases. They have a fund of $235m at their disposal left over from the previous cocoa accord which expired at the end of March last year and wil be replaced by the new one. That sum is considered enough to buy as much as 100,000 tonnes for storage at current prices.

The US has consistently opopsed the agreement because it thinks the flor price is too far out of touch with market conditions. The Ivory Coast's puzzling, but it is felt that President Houphouet Boigny has refusal to enter is more acted under domestic political pressures, although his country would benefit greatly from the higher cocoa floor price set by the accord.

The EEC, which earlier strongly backed the new accord and accounts for 45 per cent of world consumptions, asked for more time to consider entry. But it made clear that Community membership depended largely on whether the Ivory Coast joined.

West Germany appeared to have put it sfoot down with backing from Britain, Holland and Denmark. Their argument is that consumers would have to share equally the financial burden of buying cocoa to raise prices above the 110 cents a pound level. But the Ivory Coast would benefit from that higher price without shouldering any of the responsibilities and financial burden of membership.

Coffee quotas cut again

THE INTERNATIONAL Coffee Organisation executive board agreed yesterday to cut 1980-81 coffee export quotas by a further 1.4m bags (60 kilos each). This brought the total reduction since quotas were introduced last year to 5.6m bags.

The cut, triggered by falling prices, will be restored if the ICO 20-day average price, which currently stands at 97.42c per lb, rises above 115c, unless the executive board decides otherwise.

The news encouraged a sharp price rise on the London futures market where September delivery coffee ended the day £35 up at £800.5 a tonne.

Mr. Alexander Beltrao, the organisation's executive director, said the decision augured well for preliminary discussions this week on setting 1981-82 quotas. These discussions are being held in London to facilitate the takinf of decisions on quotas at a meeting of the full ICO council on September 7 to 18.

Mr. Beltrao said he was confident the combination of the action taken by the board to cut quotas together with the work now taking place on matters related to 1981-82 quotas would help to stabilise the price of coffee, which had dropped to its lowest level since 1975. Reuter

MARKET PROFILE: POTATOES

A happy first birthday

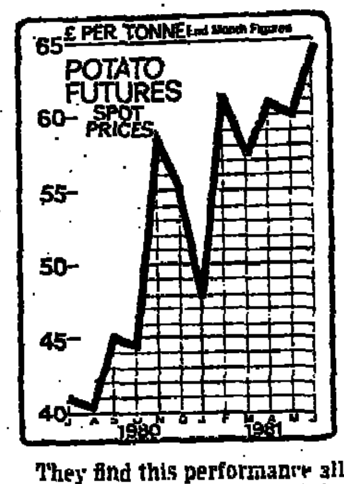
BY RICHARD MOONEY

THE LONDON Potato Futures Exchange yesterday held a modest party to celebrate its first year of operation (which was actually completed in the middle of June).

By City standards the market has been a success so far. Average daily turnover for the initial year was around 100 lots of 40 tonnes each, exceeding the 80 lots a day target set by the exchange's sponsors and equalling the generally accepted break-even point. Yesterday turnover reached a record 645 lots.

The value of the first year's turnover is put at a little over £65m, equal to 20 per cent of the total British potato crop. This proportion is well below the trading levels achieved by other London futures markets, which range up to 20 times the total world crop, but is nevertheless creditable for a new-born market.

The exchange's operators are also pleased that some of the usual pitfalls for a new market have been avoided. Physical deliveries against futures contracts have not been excessive, spot prices have remained reasonably close to the physical market and trading interest has been wide-spread, covering farmers, merchants and, more recently, processors as well as the inevitable speculators.



They find this performance all the more pleasing because of the unfavourable circumstances the market met with in its first year. A particularly depressed physical potato market might have been expected to reduce trading interest, but this has not been the case. On the other hand the comfortable supply-demand balance which depressed the market may have helped in dissuading excessive speculative involvement.

Market authorities have been pleasantly surprised at the level of interest shown by growers, and processor involvement, though initially disappointing, has recently built up to a respectable level.

Mr Tony Beeson, chairman of the market, said yesterday the aspect he found most pleasing was the credibility the market was gaining among those involved with potatoes.

Meanwhile the physical potato market has improved markedly from the depressed levels ruling a year ago. The Potato Marketing Board said yesterday growers had experienced "the best early season for years" with returns averaging £2,345 a hectare against £1,800 last year.

The turnround is put down to two main factors. Firstly plantings were lower and, secondly, the hard spring has caused later plantings and reduced yields.

In contrast, last year plantings were 3 per cent or 4 per cent higher and growing conditions were near to ideal; the result was a record crop and rock-bottom prices.

While production has been cut this year, demand appears to be continuing to move ahead.

The Potato Marketing Board has instituted its normal precautionary buying-in programme so that it can remove supplies from the market in the event of prices falling too quickly. But this year the programme is not expected to play a crucial market role as it did last year when a second programme had to be applied when the first failed to lift prices to adequate levels.

Deadlock in EEC cane sugar dispute

BY LARRY KLINGER IN BRUSSELS

THE DISPUTE over developing countries' sugar exports to the European Community remained unresolved yesterday in spite of further ministerial talks in Brussels and the expiration of the former agreement on Tuesday.

The issue will now go before the EEC Council of Foreign Ministers later this month.

The Community offer of a 7.5 per cent price rise for cane imports has again been rejected by the sugar producers of the African, Caribbean and Pacific Ocean (ACP) countries grouped under the Lomé Convention trade and aid agreement with the EEC.

In spite of the possibility that the ACP producers might be forced to export at old prices if the dispute drags on, they are continuing to demand an increase in line with the 8.5 per cent rise in guaranteed prices awarded to European beet farmers.

M Edgar Pisani, the European Commissioner responsible for overseas development, yesterday told Mr Satcam Boollel, the Mauritius Agriculture Minister and ACP spokesman on sugar, that the EEC position remain unchanged, but agreed to put the issue before the Foreign Ministers when they meet on July 13 and 14.

The Community maintains that neither the hard-pressed European economy nor the domestic market situation allows for an increased offer.

Moreover, at the time of the original offer, agreed by EEC Agricultural Ministers in April, Britain argued strongly that a higher price would threaten the ability of Tate and Lyle to continue to market ACP sugar profitably. The hard-pressed British group is the only remaining big cane refiner in Europe.

Tate and Lyle has told the ACP countries that it can make up the Community offer to 8.5 per cent by way of existing market premium arrangements. This would be for one year only, however, and in the longer term the company is opposed to the ACP being guaranteed price rises above those agreed for Community producers.

The ACP nations reject the Community position, saying that the EEC is simply penalising the developing countries because of Europe's growing problem of surplus production. They say this is no fault of theirs, since ACP imports remain bound by the agreed upper limit of annual imports of 1.3m tonnes.

However, in response to ACP problems with soaring transport costs, the Commission is offering to finance feasibility studies for transport improvement, especially in landlocked countries.

Meanwhile, with the coming in force yesterday of the EEC's new sugar marketing arrangements, the Commission announced new guaranteed price levels.

The price for European white sugar for the marketing year was put at 48.16 European units of account (ECU) per 100 kg, representing the 8.5 per cent rise, and for raw cane sugar at 38.58 ECU, representing the 7.5 per cent increase.

Jute output falls 20 per cent

HARD WEATHER conditions reduced world production of jute, kenaf and allied fibres by 10 per cent in the 1980-1981 season to 3.9m tonnes, the UN Food and Agriculture Organisation has reported.

Output in Bangladesh, the world's leading jute exporter, plummeted more than 35 per cent to 750,000 tonnes, FAO said in a report prepared for the Intergovernmental Group on Jute.

In India, however, production rose against the general trend to a record 1.5m tonnes. Thai production fell 20 per cent with more moderate reductions noted by Burma and Nepal.

Forecasts for jute output in the 1981-1982 season were revised downward on the basis of bad weather conditions to only slightly above the year-earlier level of 3.9m tonnes. AP

Guernsey flower scheme urged

BY A CORRESPONDENT

AN EXPORT development scheme for Guernsey flowers, with bonus payments to growers who agreed to grade and pack their produce to EEC-based quality standards, has been proposed by the island's committee for horticulture.

It is envisaged that some £360,000 would be needed for these payments in 1981-82. In addition, £85,000 would be spent next year on promoting flowers exported to the UK under the scheme's trade mark, and another £50,000 allocated for developing new crops and markets.

The proposals are put forward in a report on the future of Guernsey's horticultural industry, due to be debated by the island Parliament on July 22.

The horticultural committee also asks for the price support scheme for the island's tomato growers which is costing £1m this year, to be continued next year to the extent of £600,000.

Local MPs are reminded that Guernsey's special relationship with the Common Market excludes any aid to the horticultural industry from EEC funds, and that this arrangement was accepted on the understanding that local growers would not be put at a disadvantage.

Aid to horticulture within the EEC is now substantial, claims the report. Grants or subsidised loans are available to growers in each country, and in the past few months the EEC Commission has allowed subsidies to be paid on fuel in the UK, Belgium and West Germany to combat the admitted unfair competition of low gas prices in Holland.

"At present, without support from the States of Guernsey, the horticultural industry would be considerably disadvantaged compared with its EEC competitors," says the report.

The idea of a fuel subsidy for local flower growers was rejected because it was felt this would mainly help those with inefficient heating systems and would also be difficult to administer without including tomato growers, who are already receiving substantial aid.

Guernsey's powerful advisory and finance committee, while favouring continued support for tomato growers, has asked the island parliament to reject the bonus scheme for flower growers in the form suggested. It criticises the proposal to pay the bonuses simply on the basis of the number of boxes exported and favours a scheme similar to the tomato price support scheme.

BRITISH COMMODITY MARKETS

BASE METALS

BASE METAL prices generally moved higher on the London Metal Exchange as sterling fell during the day. Most of the movements were reasonably controlled, with the exception of tin, which leapt ahead to close at £6,670. Copper was finally £892, lead remained steady and finished at £380, and zinc closed at £434.50. Aluminium was barely changed at £625, and nickel gained some ground to £3,245.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	862.5-3	+14.5	866-7	+10
3 months	887.5-8	+14.5	892-.5	+10.5
Settlem't	863	+14.5	—	......
Cathodes				
Cash	859.5-60.5	+19	860-1	+10
3 months	880.5-1	+17	882-.5	+9.5
Settlem't	860.5	+19	—	......
S. Prod			*85.5-7	......

Amalgamated Metal Trading reported that in the morning three months copper wirebars traded at £888, 88.5, 88, 87.5, 88. Cathodes: Cash £859, 59, 59.5, 60, 59.5; three months £881. Kerb: Wirebars: Three months £888, 89, 89.5, 90, 89.5, 89. Afternoon: Wirebars: Three months £891, 92, 91.5, 92. Cathodes: Cash £860. Kerb: Wirebars: Three months £892, 92.5, 92. Turnover: 16,400 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	6535-40	+170	6540-5	+62.5
3 months	6650-5	+150	6665-70	+65
Settlem't	6540	+170	—	......
Standard				
Cash	6535-40	+170	6540-5	+62.5
3 months	6650-5	+150	6665-70	+65
Settlem't	6540	+170	—	......
Straits E.	‡$28.87	+.02	—	......
New York	—	......		

Tin—Morning: Standard: Cash £6,545, 6,540; three months £6,650, 60, 50. Kerb: Standard: Three months £6,650, 45, 50. Afternoon: Standard: Three months £6,660, 50, 55, 60, 65. Kerb: Standard: Three months £6,660, 55, 60. Turnover: 1,345 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	377.75-8.25	+8.25	377-8	+1
3 months	380-.5	+8	380-1	+2
S'ment	378.25	+8.25		......
U.S. Spot	—	......	*38	......

Lead—Morning: Cash £378; three months £383, 84, 83.5, 83, 82, 81.5, 80, 80.5, 80. Kerb: Three months £381, 80.5. Afternoon: Three months £380, 80.5, 80, 81, 82, 81. Kerb: Three months £379.5, 80, 79.5, 79. Turnover: 8,700 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Cash	428.5-9	+14?	428-30	+7.5
3 months	432-.5	+11?	433-4	+6
S'ment	429	+14.5	—	......
Primw'ts	—	......	*46.5	......

Zinc—Morning: Cash £428, 28.5; three months £435, 34.5, 34, 33.5, 34, 33, 32.5, 33. Kerb: Three months £433. Afternoon: Cash £428.5; three months £433, 33.5. Kerb: Three months £433, 32.5, 33, 34, 34.5, 35, 34.5. Turnover: 8,150 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Spot	607-.5	+7	604-.5	-1.75
3 months	627-.5	+6	624-.5	-2

Aluminium—Morning: Three months £630, 29.5, 29, 28, 27.5. Kerb: Three months £628, 27, 26, 25.5, 26. Afternoon: Three months £626, 25.5, 25, 24, 24.5, 24. Kerb: Three months £623.5, 23, 22.5, 23, 23.5, 24, 25, 25.5. Turnover: 7,250 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
Spot	3200-10	+45	3217-8	+22.5
3 months	3245-8	+44	3256-7	+24

Nickel — Morning: Three months £3,250, 55, 50, 45. Kerb: Three months £3,235, 40. Afternoon: Three months £3,250, 57. Kerb: Three months £3,245. Turnover: 942 tonnes.

* Cents per pound. ‡ MS per kilo. † On previous unofficial close.

SILVER

Silver was fixed 14p an ounce higher for spot delivery in the London bullion market yesterday at 442.5p. U.S. cent equivalents of the fixing levels were: spot 845c, up 15c; three-month 880.6c, up 14.7c; six-month 914.2c, up 11.8c; and 12-month 981.2c, up 10.9c. The metal opened at 430-435p (825-835c) and closed at 454-460p (866-875).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	442.50p	+14.0	456.0p	+6.0
3 months	455.30p	+14.1	469.75p	+7.8
6 months	468.45p	+12.8	—	......
12months	499.10p	+12.7	—	......

LME—Turnover: 175 (same) lots of 10,000 ozs. Morning: Three months 455, 58, 57, 56.5, 57, 57.5. Kerb: three months 459, 60, 61, 62. Afternoon: three months 468, 69, 69.5, 70, 69.5. Kerb: three months 469, 68, 68.5, 69, 68.

COCOA

COCOA	Yes'rday's Close	+ or —	Business Done
July	936-945	+117.5	935-864
Sept	964-965	+111.0	966-905
Dec	994-995	+107.8	1001-943
March	1012-1013	+100.0	1022-957
May	1025-1028	+97.5	1044-995
July	1035-1045	+96.5	1042-1040
Sept	1045-1065	+96.5	1068-1065

Sales: 9,486 lots of 10 tonnes.

ICCO Futures—Daily price for June 30: 76.37 (78.33); five-day average 77.24 (76.63).

COFFEE

London opened, as expected, higher due to dealer short-covering and speculative buying prompted by an expected quota cut, reports Drexel Burnham Lambert. With confirmation of a 1.4m bag quota cut, values pushed further ahead as commission houses in both New York (which reached the 4 cent limit up mid-session) and London tested chart resistance levels. Large-scale profit-taking cut well into the gains to close mid-range.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
July	776-77	+38.0	788-55
Sept	800-01	+35.0	818-82
Nov	794-95	+36.5	812-75
Jan	798-99	+41.0	810-74
March	792-98	+34.0	809-77
May	795-01	+35.0	800-99
July	807-10	+44.0	

Sales: 5,860 (4,067) lots of 5 tonnes.

ICO Indicator prices for June 30 (U.S. cents per pound): Comp. Daily ICA 1976 91.09 (89.50); 20-day average 97.42 (98.39).

GRAINS

July wheat opened 25p lower. Further selling pressure was seen and values dipped. New crop wheat dipped initially on further hedge selling but buying interest steadied the market in fairly quiet trading. Barley saw very thin trading with the market rallying at the close due to lack of sellers, Acli reports.

WHEAT Mnth	Yesterd'ys close	+ or —	BARLEY Yesterday close	+ or —
July	109.30	-0.55	—	
Sep	99.30	+0.30	94.80	+0.40
Nov	103.20	+0.30	98.70	+0.35
Jan	107.20	+0.30	102.60	+0.35
Mar	110.95	+0.30	105.85	+0.40
May	114.70	+0.25	109.30	+0.40

Business done—Wheat: July 109.50-109.20, Sept 99.30-99.00, Nov 103.30-102.85, Jan 106.90-107.20, March 110.90-110.65, May 114.70-114.30. Sales: 143 lots of 100 tonnes. Barley: Sept 94.80-94.30, Nov 98.80-98.35, Jan 102.50-102.40, March 105.55 one trade, May 109.05-109.00. Sales: 49 lots of 100 tonnes.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No. 2 14 per cent July-August 109.25 trans shipment East Coast sellers. U.S. Hard Winter 13½ per cent July 114.50. August 115.00 trans shipment East Coast sellers. English Feed fob Sept 103.75, Oct 105.75, Nov 107.50 sellers East Coast. Maize: South African Yellow August-first-half Sept 89.50 seller. Barley: English Feed fob August 96.50, Sept 98.00, Oct 99.75 sellers East Coast. Rest unquoted.

HGCA — Locational ex-farm spot prices. Other milling wheat: N. East 115.00. Feed barley: E. Mids 104.60, N. East 105.00. The UK Monetary Coefficient for the week beginning Monday July 6 is expected to remain unchanged.

GAS OIL FUTURES

On light trading, the market opened lower and traded in a narrow range. A lower physical market and weak European currencies failed to push the market down, reports Premier Man.

Month	Yesterdys close	+ or —	Business Done
	$ U.S. per tonne		
June	285.00	-0.75	285.25-84.50
July	285.25	+2.75	285.75-85.00
August	288.25	+2.50	288.50-88.00
September	291.75	+1.00	291.75-91.50
October	296.00	+1.25	296.00-95.25
November	300.25	+1.25	300.50-00.00
December	304.00	+0.50	305.00-03.50
January	308.00	-0.75	308.60-08.00
February	312.50	—	—

Turnover: 488 (844) lots of 100 tonnes.

RUBBER

The London physical market opened slightly easier, with little interest throughout the day, closing quiet. Lewis and Peat reported a fob July price for No. 1 RSS in Kuala Lumpur of 251.0 (354.0) cents a kg and SMR 20 223.0 (222.5).

No 1. R.S.S.	Yest'r'ys close	Previous close	Business Done
August	61.00-61.20	60.50-60.60	60.80-60.70
Sept	62.00-62.40	61.40-61.50	62.20-61.90
Oct-Dec	63.60-63.80	63.30-63.40	63.80-63.00
Jan-Mar	66.50-66.70	66.20-66.30	66.60-66.10
Apl-Jne	69.30-69.40	69.10-69.20	69.20
Jly-Sept	72.20-72.40	72.10-72.20	—
Oct-Dec	75.20-75.40	75.10-75.20	75.10
Jan-Mar	78.30-78.40	78.20-78.30	78.10
Apl-Jne	81.10-81.50	81.10-81.50	—

Sales: 308 (133) lots of 15 tonnes. 10 (2) at 5 tonnes. Physical closing prices (buyers) were: Spot 59.75p (59.25p); Aug 62.00p (61.50p); Sept 62.50p (62.00p).

SOYABEAN MEAL

The market opened slightly steady on weaker sterling, reports T. G. Roddick. Prices rallied on stop loss buying coupled with trade support before slight profit taking eased prices.

	Yesterdys Close	+ or —	Business Done
	£ per tonne		
August	128.10-29.2	+3.25	130.00-26.20
October	132.90-33.1	+3.30	133.20-29.70
December	137.00-38.0	+2.25	138.00-35.20
February	139.50-40.8	+1.55	138.80-38.50
April	140.00-45.5	+2.00	—
June	140.00-44.5	+1.25	—
August	141.00-50.0	+2.50	—

Sales: 189 (102) lots of 100 tonnes.

COTTON

LIVERPOOL — Spot and shipment sales amounted to 18 tonnes, bringing the total for the week so far to 41 tonnes. Very small dealings developed, as spinners were unwilling to participate in additional trade and price levels reacted on the turnover. Scattered demand was observed in various American-type qualities.

SUGAR

LONDON DAILY PRICE—Raw sugar £200.00 (£198.00) a tonne cif July-Aug shipments. White sugar daily price £225.00 (£223.00).

Opening prices were £2 below overnight levels but the lows were short-lived. Currency factors were again a margin factor in the recovery of the market reports C. Czarnikow.

No. 4 Contract	Yest'rdy's Close	Previous Close	Business Done
	£ per tonne		
Aug.	198.85-99.00	195.00-96.25	200.50-195.0
Oct.	199.90 200.0	198.90-99.00	203.00-197.5
Jan.	200.75-01.00	199.50 200.0	201.00-197.5
March	203.80-04.00	203.20-03.70	206.25-202.5
May	206.25-06.50	205.25-06.00	206.75-206.0
Aug	207.50-09.00	207.00-08.00	208.00
Oct	209.25-11.25	208.50-09.00	—

Sales: 5,401 (3,481) lots of 50 tonnes.

Tate and Lyle ex-refinery price for granulated basis white sugar was £369.4 (£342.6) a tonne for home trade and £307.5 (£305.5) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean port. Prices for June 30: Daily price 15.22 (15.40); 15-day average 15.89 (15.98).

POTATOES

LONDON POTATO FUTURES—The market was very strong with a new record turnover of 645 lots. Buying interest on expectation of reduced yield on top of reduced planting causing short-covering as well a fresh buying, pushed prices strongly up before easing a little but still closing very firm, reports Coley and Harper. Closing prices: Nov 64.50, +2.50 (high 65.5, low 61.70); Feb 74.90, +3.00 (high 76.10, low 71.80); April 84.30, +5.30 (high 85.00, low 79.00). Turnover 645 (261) lots of 40 tonnes.

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order: buyer, seller, business). New Zealand cents per kg. Aug 385, 410, 408; Oct 400, 403, 409-401; Dec 402, 406, 414-403; Jan 403, 408, 414-406; March 414, 419, 421-417; May 417, 423, 429-425; Aug 430, 435, 437-434; Oct 434, 437, 440-436; Dec 435, 440, 441-437; Jan 438, 443, 443-440. Sales: 135.

SYDNEY GREASY WOOL—Close (in order: buyer, seller, business). Australian cents per kg. July 508.1, 508.5, 511.0-503.5; Oct 496.0, 497.5, 497.5-496.0; Dec 503.5, 504.0, 506.0-503.5; March 512.5, 514.0, 513.5-513.0; May 520, 521.0, 521.0-520.0; July 526.5, 527.0, nil; Oct 524.0, 524.5, 524.0; Dec 526.5, 527.0, 526.5. Sales: 267.

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scottish killed sides 74.9 to 78.5; Ulster hindquarters 85.0 to 89.0, forequarters 56.0 to 60.0; Eire hindquarters 84.0 to 89.0, forequarters 55.0 to 59.0. Veal: Dutch hinds and ends 126.0 to 132.0. Lamb: English small 64.0 to 74.0, medium 66.0 to 70.0; Imported frozen: New Zealand PL 64.0 to 66.0, PM 62.0 to 64.0. Pork: English, under 100 lb 46.0 to 53.0, 100-120 lb 46.0 to 52.0, 120-160 lb 43.0 to 51.0.

MEAT COMMISSION—Average Fatstock prices at representative markets on July 1. GB—Cattle 91.69p per kg lw (−1.32). UK—Sheep 154.01p per kg est. dcw (−5.80). GB—Pigs 73.33p per kg lw (−0.97).

COVENT GARDEN—Prices for the bulk of produce in sterling per package except where otherwise stated. Imported Produce: Oranges—Outspan: Navels 48 4.90, 56 5.70, 72 5.60, 88 5.00, 112 4.85, 138 4.85, 150 4.30; Californian: 88/138 5.00-5.50; Jaffa: (base) Valencia Lates 56/189 4.00-4.90; Moroccan: Lates 48/113 4.00; Cyprus: Valencia Lates 48/98 4.00-5.00. Lemons—Spania: Trays 25/50 2.40-2.60, boxes 80/100 4.50-5.00; Californian: 115/140 4.00-4.60; Outspan: 80/195 4.00-6.50; Jaffa: Cartons 60/90 3.00-4.00. Grapefruit—Outspan: 40 4.30, 48 4.25, 56 4.00, 64 3.60, 72 3.50; Jaffa: 20 kg 40 3.60-4.25. Apples—S. African: Granny Smith 6.40-6.70, Golden Delicious 6.00, 6.80; New Zealand: Granny Smith 6.30-6.80, Sturmer Pippins 6.0-6.40, Golden Delicious 5.00-6.00, Red Delicious 8.00-8.20, Delicious 7.00, Red Dougherty 7.50; Tasmanian: Jonathans 4.50-5.00, Granny Smith 5.50, Sturmer Pippins 5.20-6.00, Democrats 7.00, Croftons 7.50-7.80; W. Australian: Granny Smith 6.50; U.S.: Red Delicious 10.00-11.00; French: Golden Delicious 40 lb 125/175 3.50-4.50. Pears—S. African: Comice 7.00-7.50, Packhams 6.00-6.50, Nelis 5.60; Victorian: Packhams 5.00-5.50. Nectarines—Spanish: 37/45 4.00-5.50. Plums—Spanish: Rosas 3/8 2.00-3.80; Japanese 3/5 1.00-1.50; Gaviotas 3/8 2.40-3.40. Apricots—Spanish: 11 lb 2.80-3.80. Cherries—U.S.: 18 lb, per pound 0.80; Italian: 0.55; Greek: 0.55-0.60; Turkish: 0.70. Grapes—Chilean: Almeria 2.50, Red Emperor 3.50, Ribes 4.70; Israeli: Queen of the Vineyard 4.00, Perlette 9 lb 4.00; Cyprus: Cardinal 11 lb 5.00. Melons—Israeli: Carmel Yellow 6/12 3.60-5.00; Spanish: 10 kg Yellow 4.00-4.80. Water-melons—Spanish: 3.00-3.30. Strawberries—U.S.: 12 oz 0.80-0.90. Peaches—Italian: Standard trays B/D 1.40-2.50; large trays A/D 2.60-4.50; Greek: 2.80-3.50; French: 2.20-2.70. Pineapples—Ivory Coast: Each 0.50-0.90; S. African: Shellord 6/9 2.60-2.80. Bananas—Colombian: Per pound 0.17-0.18.

English Produce: Potatoes—Per 55-lb bag, Kent 3.00, Pembroke 3.00. Mushrooms—Per pound 0.60-0.70. Apples—Per pound Bramleys 0.08-0.18. Cauliflowers—Per 12, Lincoln 3.50-4.00. Cabbages—Per bag, Spring 22 lb 2.50, Primo 20 lb 2.50-3.50. Lettuce—Per 12, round 0.80-1.50, Cos 10/12 1.20-1.80. Tomatoes—Per 12 lb 2.60-2.80, E 2.40-2.60. Radishes—Per pack of 12 x 8 oz 1.50, bunches of 15 1.50. Onions—Per tray x 20 bunches, spring 2.40, 55 lb 40/60 mm 3.50-4.50. Celery—Per 15/24 5.00-6.00. Cucumbers—Per 10/20 1.60-2.00. Gooseberries—Per 12 lb, per pound 0.15-0.17. Broad Beans—Per 24 lb 1.50-1.80. Peas—Per 20-lb nets 1.80-2.50. Carrots—Per 26-28 lb 3.00-3.50. Strawberries—Per ½ lb 0.20-0.45. Raspberries—Per ¼ lb 0.25-0.35.

PRICE CHANGES

In tonnes unless otherwise stated.

	July 1 1981	+ or —	Month ago
Metals			
Aluminium	£810/815	......	£810/815
Free Mkt	$1155/1185	−5	$1260/290
Copper			
Cash w'bar	£866.50	+10	£852.25
3 mths	£892.25	+10.5	£877.25
Cash Cathode	£860.5	+10	£847.25
3 mths	£882.25	+9.5	£866.75
Gold troy oz	$425.5	−1.5	$474.0
Lead Cash	£377.5	+1	£349.5
3 mths	£380.5	+2	£358.375
Nickel	£3,850.50	+182.5	£3,504.50
Freemkt	275/295c	......	285/300c
Platin'mtr'y oz	£247.0	......	£230
Freemkt	£216.80	+5.5	£227.65
Quicksilver†	$425/430	+5	$425/450
Silver troy oz	442.50p	+14	521.20p
3 mths	455.30p	+14.1	536.90p
Tin Cash	£6,542.5	+82.5	£6,172.5
3 mths	£6,667.5	+65	£6,291
Tungsten 22.04lb	$145.09	......	$143.75
Wolfrm 22.04 lb	$148/150	......	$145/148
Zinc Cash	£429	+7.5	£403
3 mths	£433.5	+6	£412.5
Producers	$925	......	$925
Oils			
Coconut (Phil)	$560v	......	$560
Groundnut	‡	......	‡
Linseed Crude	£442	......	£448
Palm Malayan	$590x	......	$595
Seeds			
Copra Philip	$350	−10	$395
Soyabean (U.S.)	$286w	......	$304.5
Grains			
Barley Fut. Sep	£94.80	+0.40	£95.20
Maize	‡	......	£126.75
Wheat Fut. Sept	£99.30	+0.20	£101.20
No2 HardWint	£114.50	+4.25	£108
Other commodities			
Cocoa ship't *	£1035	+111	£926.0
Future Sept	£964.5	+111	£864.5
Coffee F't Sept	£800.5	+35	£918.5
Cotton A.Index	86.75c	......	87.30c
Gas oil Aug	$285.25	......	$272
Rubber (kilo)	59.75p	+0.5	59.25p
Sugar (Raw)	£200w	......	£220
Woolt'ps 64s kl.	570p kilo	......	540p kilo

‡ Unquoted. v June-July. w July-Aug. z Aug. x Sept. † Per 76-lb flask. * Ghana cocoa.

AMERICAN MARKETS

NEW YORK, July 1.

PRECIOUS METALS and copper again sold off sharply as upward pressures on interest rates intensified. Lack of suces in reducing spot supplies through reductions in price put renewed pressure on the heating oil price. Sugar declined moderately on reports of large EEC offerings and a higher private forecast of bet planting in Europe. Coffee was very strong on buying related to a cut in the coffe export quotas. Cocoa had a major move to the upside on indications of further ratifications of the International Cocoa Agreement, reported by Heinold.

Copper—July 74.80 (75.40), Aug 75.05 (76.60), Sept 76.70-76.85, Dec 80.10-80.35, Jan 81.55, March 83.80-83.85, May 85.80-85.90, July 87.80-88.10, Sept 89.95, Dec 93.05, Jan 94.10, March 96.20, May 98.30.

*Gold—July 414.4 (423.5), Aug 418.5-419.5 (528.5), Sept 424.2, Oct 429.0, Dec 438.0-439.0, Feb 450.0, April 461.2, June 474.0, Aug 483.0, Oct 493.0-493.3, Dec 504.9, Feb 516.5, April 528.1. Sales: 45,000.

Platinum—July 400.0 (404.8), Aug nil (nil), Sept nil, Oct 416.5-418.0, Jan 432.5, April 449.0, July 466.0, Oct 483.0. Sales: 3,103.

Potatoes (round whites)—Nov 69.3-69.5 (69.3), Feb 75.5-77.5 (75.5), March 79.5-80.2, April 90.2. Sales: 296.

¶Silver—July 831.0-840.0 (855.5), Aug 844.0 (867.5), Sept 853.0-860.0, Dec 887.0-893.0, Jan 906.0, March 923.0, May 961.0, July 985.0, Sept 1002.0, Dec 1039.0, Jan 1051.0, March 1075.0, May 1099.0. Handy and Harman bullion spot: 865.00 (862.00).

Sugar—No. 11: Sept 15.10 (15.40), Oct 15.25-15.30 (15.49), Jan 15.55, March 15.86-15.90, May 16.15-16.16, July 16.35-16.45, Sept 16.65, Oct 16.80-16.85. Sales: 7,420.

Tin—569.00-581.00 (569.00-575.00).

CHICAGO, July 1.

Lard—Chicago loose 20.25 (20.00).

Live Cattle—Aug 66.65-66.50 (66.32), Oct 63.35-63.40 (63.05), Dec 64.15-64.00, Feb 64.75-64.95, April 65.90, June 67.20.

Live Hogs—July 52.80-52.70 (52.40), Aug 51.75-51.85 (51.27), Oct 49.85-49.70, Dec 52.25-52.40, Feb 53.25-53.40, April 53.00, June 55.80-56.00, July 55.90, Aug 55.20.

‡‡Maize—July 329-329¾ (323), Sept 342¾-343 (334½), Dec 351¾-352¾, March 365¾-368, May 374, July 378¾.

Pork Bellies—July 46.00-46.30 (45.50), Aug 46.65-46.90 (45.75), Feb 64.15-63.95, March 64.45-64.25, May 65.05, July 66.50, Aug 66.20.

†Soyabeans—July 701-700½ (686½), Aug 712-712½ (698), Sept 721, Nov 740-742, Jan 760-760½, March 783, May 799, July 812.

‖Soyabean Meal—July 204.5 (195.9), Aug 206.5-205.5 (199.4), Sept 208.0-207.5, Oct 210.0-209.5, Dec 215.5-216.0, Jan 217.5, March 224.5-225.5, May 229.0-230.0, July 231.0-232.0, Aug 231.0-232.0.

Soyabean Oil — July 21.82-21.85 (21.41), Aug 22.18-22.20 (21.89), Sept 22.55-22.50, Oct 22.90, Dec 23.50-23.55, Jan 23.85-23.90, March 24.50, May 25.00, July 25.50, Aug 25.61-25.62.

†Wheat—July 379½-379 (379), Sept 399-398½ (389¾), Dec 426½-427, March 450-449, May 463, July 469½.

All cents per pound ex-warehouse unless otherwise stated. * $ per troy ounce. ¶ Cents per troy ounce. ‡‡ Cents per 56-lb bushel. † Cents per 60-lb bushel. ‖ $ per short ton (2,000 lbs). § $Can. per metric ton. §§ $ per 1,000 sq feet. ‡ Cents per dozen. †† $ per metric ton.

Tuesday's closing prices

††Cocoa—July 1484 (1499), Sept 1554 (1579), Dec 1650, March 1720, May 1765, July 1815, Sept 1855.

Coffee—"C" Contract: July 93.25-93.90 (88.10), Sept 92.02 (88.02), Dec 89.05, March 87.63, May 87.50, July 87.50, Sept 88.00-88.90. Sales: 2,519.

Cotton—No. 2: July 83.00 (83.17), Aug 82.40-82.90 (81.90), Oct 78.05-78.25, Dec 76.25-76.35, March 77.65, May 79.00-79.25, July 80.00-80.25, Oct 79.50-79.90, Dec 78.50-79.00. Sales: 2,500.

Heating Oil (cents per U.S. gallon)—July 0.9119 (0.9107), Aug 0.9005 (0.9227), Sept 0.9338, Oct 0.9485, Nov 0.9650, Dec 0.9821, Jan 0.9[illegible], Feb 1.0120, March 1.0240, April 1.0295, May 1.0335, June nil, July 1.0275, Aug 1.0375. Turnover: 3,279.

Orange Juice—July 123.50-124.00 (126.00), Sept 128.00 (129.55), Nov 131.60-132.00, Jan 135.60-135.90, March 137.25-137.70, May 138.75-139.00, July 140.25-140.75, Sept 141.75-142.25, Nov 143.25-143.75. Sales: 2,500.

CHICAGO, June 30.

Chicago Imm Gold—July 424.0 (425.9), Sept 434.3-433.5 (436.9), Oct 439.1, Dec 449.0-450.0, Jan 454.7, March 465.3, April 470.7, June 481.4, July 486.8.

NEW ORLEANS—Milled Rice Futures (cents per cwt of U.S. No. 2 long grain): Sept 2420, Nov 2328, Jan 2361, March 2396, May 2429.

EUROPEAN MARKETS

ROTTERDAM, July 1.

Wheat—(U.S. $ per tonne): U.S. No. 2 Dark Hard Winter, 13.5 per cent: July 200, Aug 204, Sept 206. U.S. No. 2 Red Winter: July 146, Aug 150. U.S. No. 2 Northern Spring, 14 per cent: July 191.50, Aug 192, Sept 194.

Maize—(U.S. $ per tonne): U.S. No. 3 Corn, Yellow: July 146.50, Aug 149 traded, Afl 147.50, July 147, Aug 149.75, Sept 151.75, Oct/Nov 154.50, Dec 157, Oct/Dec 155.25, Jan/March 164, April-June 169 sellers.

Soyabeans—(U.S. $ per tonne): U.S. No. 2 Yellow Gulfports: July 278, Aug 277.80, Sept 281.50, Oct 287.50, Nov 288.50, Dec 294.50, Jan 300, Feb 305.75, March 309.80, April 316, May 318. Argentine: June/July 271.30, Aug 273.75 sellers tradeless.

Soyameal—(U.S. $ per tonne): 44 per cent protein, U.S. Afl. 238.50, July 237, Aug 239.50, Sept 244, Oct 250.50, Nov/March 260 sellers. Brazil Pellets: Afl. 243, July 241.50, Aug 245, Sept 251.50, Oct 256, Nov/March 273 sellers.

PARIS, July 1.

Cocoa—(FFr per 100 kilos): July 940/1000, Sept 1060/1100, Dec 1088, March 1123, May 1162, July 1177, Sept 1197. Dec to Sept all "limit up bid." Sales at call: nil.

Sugar—(FFr per tonne): Aug 2400/2410, Oct 2319/2320, Nov 2305/2325, Dec 2299/2315, March 2380/2395, May 2400/2430, July 2410/2480, Aug 2420/2480. Sales at call: 3.

INDICES

FINANCIAL TIMES

June 30	June 29	Month ago	Year ago
245.07	248.96	250.79	268.85

(Base: July 1, 1952=100).

MOODY'S

June30	June29	Month ago	Year ago
1056.9	1064.5	1093.2	1181.3

(December 31, 1931=100)

DOW JONES

Dow Jones	June 30	June 29	Month ago	Year ago
Spot	366.92	367.01	395.31	431.62
Fut'rs	367.32	367.59	396.07	445.10

(Average 1924-25-26=100)

REUTERS

July 1	June 30	M'nth ago	Year ago
1751.1	1733.7	1740.9	1686.0

(Base: September 18, 1931=100)

GRIMSBY FISH — Supply good, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £4.40-£5.60, codlings £1.80-£3.00; large haddock £3.00-£4.50, medium £3.30-£4.20, small £1.80-£3.00; large plaice £4.60-£5.00, medium £3.60-£5.20, best small £3.50-£4.30; skinned dogfish (large) £9.00, (medium) £6.50-£7.00; lemon soles (large) £7.50, (medium) £7.00; rockfish £2.10-£2.20; reds £2.00-£2.60; saithe £1.50-£2.20.

Renewed weakness in sterling undermines gilt-edged

Equities better again and Gold shares rally further

Account Dealing Dates
Option

*First Dealings	Declarations	Last Dealings	Account Day
June 15	June 25	June 26	July 6
June 29	July 9	July 10	July 20
July 13	July 23	July 24	Aug 3

* "New-time" dealings may take place from 9.30 am two business days earlier.

Renewed weakness in British Funds featured stock markets yesterday. In line with the recent trading pattern, after having started the week firmly on hopes of lower interest rates only to turn easier on Tuesday, quotations went sharply lower yesterday with sentiment unsettled by *sterling's further fall* against the dollar and other major currencies.

Quotations were opened a shade lower across the board and falls soon ranged to ¾ as buyers held off. Short-dated issues ended with losses to ½ with the tap Treasury 11¾ per cent ⅜ off at 93⅝, while falls in longer-dated stocks ranged to ⅝ and sometimes more. Yesterday's FT report on the way now being *clear for a further issue of index-*linked stock saw the existing Treasury 2 per cent 1996 down ¾ at 97½. The Government Securities index gave up 0.53 to 65.51—its lowest since June 8.

South African Gold shares rallied further after recent marked weakness and, despite yesterday's further fall in the bullion price, the Gold Mines index picked up 8.1 for a two-day rise of 12.2 to 274.8.

Leading equities made a better showing than of late, but institutional buyers remained on the sidelines because of the current uncertain outlook for the economy and for short-term interest rates. The constituents of the FT 30-share index usually ended better but generally only by a couple of pence and this market measure put on 3.9 more to its day's best of 548.7. GEC stood out in firm Electricals on optimism ahead *of today's an*nouncement of the results for the year to end-March.

Banks quieter

Food shares were helped to higher levels by the **Sainsbury** chairman's reference to a good start to current-year trade, but British Sugar shares turned down on the lapsing of the contentious bid from S. and W. Berisford. Mail Orders rallied from recently depressed levels, but lately buoyant Banks and Insurances ran into a little profit-taking.

Conditions in the Traded options market quietened *considerably, total contracts amount*ing to 909 compared with the previous day's 1,498.

The *major* clearing Banks were less active than recently and early firmness gave way to *easier conditions as profit-takers* moved in to leave prices unchanged or slightly easier on balance. Awaiting news of the bid approaches, **Arbuthnot Latham**, at 345p, lost 5 of the *two-day rise of 33*, but other **Merchant Banks** closed 2 to 3 firmer with **Hill Samuel** the latter amount up at 176p.

Insurance shares also turned a shade easier on lack of follow-through to recent speculative support with **Eagle Star** losing 4 at 311p.

Selective demand was evident in the Building sector. **J. Finlan**, an old take-over favourite, came to life with a rise of 10 to 140p. **Taylor Woodrow** edged up 7 to 560p and **John Laing** 2 to 45p, while continued support lifted **Barratt Developments** 4 to 232p. Comment on the interim figures, however, left **SGB** 3 cheaper at 144p.

ICI drifted off a few pence to 278p in Chemicals.

Leading Stores made a firm *showing but, apart from* **Gussies "A,"** up 12 at 442p, rises were limited to a few pence. **Mothercare** rallied 8 to 208p after the recent setback, but **Curry's** remained a dull market and fell 5 more to 206p. Lower annual profits from **Stead and Simpson "A,"** up 4 at 53p, were outweighed by the higher dividend payment. *An early rally in Mail* Order shares flattered with most quotations closing below the *day's best*, **Freemans** ending only 2 better at 108p, after 112p, and **Empire Stores**, a similar amount higher at 98p, after 100p.

Activity in the Engineering sector remained at an extremely low ebb. Movements worthy of note in the leaders included **Hawker**, 6 up at 336p, and **John Brown**, 2 dearer at 96½p. Elsewhere, **Matthew Hall** continued in demand and improved 10 more to 206p, as did **Laird** *Group, up 8 at 139p.* **Delta** firmed 2 to 47½p on the announcement that the company had concluded the sale of its 50 per cent interest in Macdem (Pty). **Renold**, in contrast, met fresh selling and touched 41p before closing 3½ cheaper at 42½p, while **Richards (Leicester)** weakened 4 to 52p.

GEC awaits results

Electricals overshadowed all other sectors with interest focused on the leaders and particularly **GEC** which, awaiting today's preliminary results, rose 10 to a peak 740p. **Racal**, 426p, and **BICC**, 267p, ended with gains of around 8, while **Plessey** moved up 5 to 339p. *Among secondary stocks, AB Electronics were prominent at 128p, up 8, while* **Berec** revived 5 to 59p. Dull counters were few but included **Rediffusion**, 3 easier at 184p following the purchase of the outstanding 80 per cent of **Southern Rentals**. **First Castle** lost 4 more at 116p. Dealings in **Webber Electro Components** were suspended at 110p while the company completes arrange*ments for a USM listing.*

S. and W. Berisford's failure to gain control of **British Sugar** was the all-consuming event in after-hours' trading and the latter reacted to close 9 down *at 330p, after 327p; Berisford* rose 4 to 134p following the announcement. This was not the *only feature in Foods, however.* **J. Sainsbury** responding to the chairman's optimism about *current trading with a gain of* 10 to a year's high of 434p, while **Wm. Morrison** advanced 4 to 172p *on bid speculation.* **Hazlewood** continued to benefit from the recent excellent results and closed 7 up at 257p, but profit-taking after the preliminary figures lowered **Avana** 7 to 293p. **Associated Biscuit** advanced 4 more to 80p.

Extel react

Among the miscellaneous Industrial leaders, **BOC International** encountered a fairly lively interest and put on 4 to 131p, with the 9 per cent Convertible loan 2½ higher at £100¼. **Pilkington Bros** improved 7 to 322p and **Glaxo** 4 to 366p, while *Beecham hardened 2 to 225p.* News of the £4.22m rights issue prompted dullness in **Extel** *which fell 9 to 203p and dis*appointing half-yearly results left **Granada A** 6 lower at 246p, after 244p. Still reflecting the sharp fall in annual profits, **Polymark** weakened afresh to 93p before settling 4 down on balance at 101p. **Brengreen** eased a penny more to 56½p on the proposed rights issue and **Burnsall Anderson** fell 3 to 27p on the half-yearly loss. **Davies and Newman** encountered revived speculative demand and put on 7 to 124p. Sporadic support lifted **Triefus** 4 to 59p and **BTR** 5 to 332p. **Braby Leslie** hardened a penny to 42p following the chairman's statement, but **Kleen-E-Ze**, still reflecting the half-year loss, reacted 4 more to 65p.

Intervision returned to favour among Leisure issues, gaining 4 to 54p, but **Trident Television A** *slipped the turn to 54p* after news that the proposed reconstruction of Yorkshire and Tyne Tees *would* leave Trident with a continuing interest in two new separate companies.

Aerospace *enthusiasm took* **Flight Refuelling** up 12 more to 387p, while the new nil-paid *shares* gained 8 to 125p premium.

Scrappy selling lowered **Associated Newspapers** 10 to 238p in otherwise neglected Paper/Printings.

Properties retained a firm undertone. **Berkeley Hambro** staged one of the larger *move*ments with a rise of 6 to 270p and, after news that the rump *of the new shares resulting from* the rights issue had been taken up, **Second City** were bought up to 68p for a gain of 4.

BP new slip

British Petroleum new nil-paid shares slipped *3 to 41p premium* and the **HMG** lost 2 to 26p premium, but other established Oils held their ground and **Ultramar** ended 6 higher at 453p. The more speculative issues attracted a small interest with **Candecca** rising 7 to 206p and **Berkeley** *Exploration a similar* amount to 367p. **Eglinton** moved up 10 to 130p along with **Pict**, 270p, and **Hansa** were raised 8 to 38p.

Among Financials, demand for **Mercantile House**, up 12 *more* at 832p, persisted; the preliminary results are due next Monday.

Textiles generally lacked interest and ended with small irregular movements. **Textured Jersey**, at 122p, gave up 3 after Tuesday's rise of 2 on good results. **Stroud Riley** touched a 1981 high *of 77p before closing* 4 up at 75p; the company last month dropped out of a contested *bid for* **Hield Bros** with a profit of around £¼m.

Rothmans again attracted *buyers and moved* up 1½ more to 75½p.

Golds advance

Mining markets were generally quiet, *although* renewed *London* buying enabled Golds to continue their rally. Bullion *traded* within a narrow range, closing at $425.50, $1.50 lower, but the Gold Mines index put on 8.1 to 274.8.

The big rises in South African Golds were mostly confined to the higher-priced issues, led by **Hartebeestfontein and Free State Geduld**, both up ⅝ to £23 and £16¼ respectively. **Vaal Reefs** *put on ⅜ to £27¼, and* **Western Holdings**, £23, **Randfontein Estates**, £20¼, **St Helena**, £15⅝, and **President Brand**, £15, all ended ⅜ better. **Driefontein Consolidated**, which represents the merged East and West Driefontein, made its debut, trading *around the £11 mark and closing* at £11⅛, or ⅛ better than the previous day's close for East Drie.

Gold Fields of South Africa were outstanding among South African Financials with a gain of ⅝ to £36⅞, while **Johnnies** put on ½ to *£32¼* and **Amgold** ⅜ to £40⅜. **UC Investments** rose 20 to 525p, and **Sentrust** 18 to 353p.

In Australians, most of the leaders were a few pence firmer, as in **Pancontinental Mining**, up 30 to 385p, and **Peko-Wallsend**, 15 higher at 490p.

FINANCIAL TIMES STOCK INDICES

	July 1	June 30	June 29	June 26	June 25	June 24	A year ago
Government Secs	65.51	66.04	66.16	65.80	65.95	66.94	69.50
Fixed Interest	67.56	67.77	67.75	67.61	67.62	67.79	70.87
Industrial Ord	548.7	544.8	543.9	540.9	544.8	548.4	463.6
Gold Mines	274.8	266.7	262.6	287.2	311.2	320.6	361.4
Ord. Div. Yield	5.81	5.85	5.87	5.89	5.87	5.85	7.76
Earnings, Yld. % (full)	11.59	11.67	11.70	11.76	11.70	11.66	18.76
P/E Ratio (net) (*)	10.77	10.69	10.67	10.62	10.67	10.70	6.48
Total bargains	19,546	18,839	20,163	21,983	19,556	18,238	22,725
Equity turnover £m.	—	115.45	115.38	144.94	136.39	123.70	223.39
Equity bargains	—	17,652	17,116	19,295	17,026	15,851	16,409

10 am 544.3. 11 am 546.6. Noon 547.8. 1 pm 548.3. 2 pm 548.1. 3 pm 548.4.

Latest Index 01-246 8026.

*Nil =9.86.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS

	1981 High	1981 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.61 (20/5)	64.94 (5/6)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int	72.01 (20/5)	67.17 (8/6)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	597.3 (30/4)	446.0 (14/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	481.1 (8/1)	262.6 (29/6)	558.9 (22/9/80)	43.5 (28/10/71)

S.E. ACTIVITY

	June 30	June 29
—Daily Gilt Edged Bargains	145.6	147.4
Equities Bargains	114.4	110.9
Value	233.3	233.2
5-day Avrge. Gilt Edged Bargains	140.7	139.8
Equities Bargains	113.2	108.8
Value	257.0	252.5

NEW HIGHS AND LOWS FOR 1981

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1981.

NEW HIGHS (90)

BRITISH FUNDS (1)
AMERICANS (11)
CANADIANS (6)
BANKS (9)
BEERS (1)
BUILDINGS (3)
CHEMICALS (2)
DRAPERY & STORES (2)
ELECTRICALS (6)
ENGINEERING (2)
FOODS (6)
HOTELS (1)
INDUSTRIALS (7)
INSURANCE (2)
MOTORS (1)
NEWSPAPERS (1)
PAPER (4)
PROPERTY (3)
TEXTILES (4)
TRUSTS (11)
OIL & GAS (2)
MINES (5)

NEW LOWS (17)

BRITISH FUNDS (6)
Exch. 13¼pc 1987 Treas. 11¾pc '03-'07
Treas. 7¾pc '85-'88 Treas. 7¾pc '12-'15
Exch. 12pc '99-'02 Consols. 4pc
STORES (1)
Milletts Leisure
ELECTRICALS (1)
Highland Elec.
ENGINEERING (2)
Blackwood Hodge Renold
INDUSTRIALS (1)
Neil & Spencer
MOTORS (1)
Caffyns
TRUSTS (1)
Lamont Hlds.
OIL & GAS (2)
Burmah Tri Basin Res.
OVERSEAS TRADERS (2)
Peterson Zochonis Do. A N/V

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	3	82	9
Corpns. Dom. & Foreign Bonds	2	17	50
Industrials	281	165	922
Financial & Props.	122	86	287
Oils	34	17	40
Plantations	1	8	14
Mines	95	10	62
Others	90	25	72
Totals	628	410	1,456

LEADERS AND LAGGARDS

Percentage changes since December 31, 1980, based on Tuesday, June 30, 1981

Contracting, Construction	+37.98	Insurance (Composite)	+18.28
Tobaccos	+33.42	Insurance (Life)	+16.47
Other Industrial Materials	+32.37	Office Equipment	+15.72
Hire Purchase	+31.35	Food Retailing	+15.15
Textiles	+30.04	Financial Group	+14.00
Packaging and Paper	+29.45	Investment Trusts	+12.46
Health and Hse'hold Products	+28.09	Metals and Metal Forming	+12.19
Other Consumer	+27.88	Banks	+11.99
Mechanical Engineering	+25.57	Motors	+11.79
Leisure	+25.43	Property	+ 9.95
Insurance Brokers	+24.74	All-Share Index	+ 9.78
Food Manufacturing	+24.61	500 Share Index	+ 8.69
Engineering Contractors	+23.55	Mining Finance	+ 7.73
Building Materials	+23.50	Overseas Traders	+ 5.95
Capital Goods	+23.16	Stores	+ 4.70
Brewers and Distillers	+22.90	Other Groups	+ 3.67
Electricals	+19.91	Shipping and Transport	+ 1.33
Merchant Banks	+19.66	Discount Houses	− 3.37
Newspapers, Publishing	+19.40	Chemicals	− 4.96
Consumer Group	+19.25	Oils	−23.35
Industrial Group	+18.42	Gold Mines Index	−34.56

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
Avana	293	− 7	GEC	740	+10
BICC	267	+ 7	Lloyds Bank	404	− 1
BOC International	131	+ 4	Polymark	101	− 4
Finlan (John)	140	+10	Racal Electronics	426	+ 8
First National Finance	36½	+ 1½	RTZ	538	+ 8
FS Geduld	£16¼	+ ⅝	Second City Properties	68	+ 4

TUESDAY'S ACTIVE STOCKS

Based on bargains recorded in the SE Official List

Stock	No. of price changes	Tuesday's closing price pence	Day's change	Stock	No. of price changes	Tuesday's closing price pence	Day's change
First Castle	14	120	− 5	Lloyds Bank	11	405	+13
Barclays Bank	12	440	+ 8	Chloride	10	26	—
Eagle Star	12	315	+17	GEC	10	730	—
E. Ferr's 'New'	12	47½pm	+ 1½	Hazlewood	10	250	+18
BP 'New'	11	44pm	—	ICI	10	280	—
GUS 'A'	11	430	+ 3	Midland Bank	10	330	+ 6
Inchcape	11	425	+18	RTZ	10	530	− 2

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
June 22	July 3	Sept. 24	Oct. 5
July 6	*July 17*	*Oct. 8*	*Oct. 19*
July 20	July 31	Oct. 22	Nov. 2

For rate indications see end of Share Information Service

Money was given for the call of Tozer Kemsley, First National Finance, Celestion, Tubes, Clyde Petroleum, Rothmans, Charterhall, Bath and Portland, Ofrex, New Throgmorton Warrants, Pan Pacific Petroleum, Lloyds Bank and Western Areas. Rothmans were *dealt in for the put and were* also the subject of a double option.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price p	+ or −	Div. or Amount	Times Covered	Gross Yield	P.E. Ratio
—	F.P.	—	£27	£21½	Allegheny Int. Inc.	£23⅝	−⅜	Q$1.40	—	3.1	—
§35	F.P.	22/7	37	30	AlliedResidential 10p	30	......	b2.45	2.0	11.7	6.3
fr£0.50	F.P.	19/6	40	34	‡Bula Resources	36	+1	—	—	—	—
§85	F.P.	24/6	140	105	‡Business Comp Syst	115	......	u1.0	6.7	1.2	18.9
75	F.P.	17/7	90	79	Cambridge Elec.	88	+1	b3.7	2.2	6.0	8.9
475	F.P.	10/7	500	462	Energy Res. & Service	487	......	—	—	—	—
‖ ‖	F.P.	—	25	22	††Energy Sources	22	−1	—	—	—	—
§10	F.P.	27/5	14	13	F'st Charlotte Ast Tst	13	......	—	—	—	—
§10	F.P.	—	21	17	‡ICC Oil services	21	+2	—	—	—	52.1
§12	F.P.	—	640	595	Mexico Fund	600	+5	—	—	—	—
§51	F.P.	20/7	69	61	‡M'film R'prograph.	65	......	b2.5	1.4	5.5	18.8
100	F.P.	24/7	107	98	Murray Technology	101	......	—	—	—	—
‡44	F.P.	30/6	58	42	‡Selec TV	42	......	—	—	—	—
§83	F.P.	—	86	60	‡Stanelco	86	+2	—	—	—	26.4
§155	F.P.	3/8	205	190	‡Star Computer	198	+1	2.0	4.3	1.4	20.6
§90	F.P.	31/7	96	92	‡Trident Comp.Serv.	95	......	bd1.5	4.0	2.3	15.9
§80	F.P.	14/7	91	85	‡UnitedCeramicDist	89	......	b4.2	1.9	6.7	10.2
100	Nil	—	4pm	2pm	Utd. Comp. & Techgy	4pm	+1	—	—	—	—
§88	F.P.	—	97	89	‡Zygal Dynamics	97	......	u0.75	6.3	1.1	15.2

FIXED INTEREST STOCKS

Issue price £	Amount Paid Up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price £	+ or −
—	F.P.	—	110	104	Aitken Hume 10% Cnv. Uns. Ln. 1990/91	106	......
100‖	F.P.	22/7	101½	95	BOC 9% Cnv. Uns. Ln. 2001-6	100½	+2½
¶¶	F.P.	26/6	29p	16p	BPC 7.75% Non. Cum. Prf.	29p	+1
99.87	F.P.	16/7	99⅝	97½	Finland 14½% Ln. 1986	97½	......
99.486	F.P.	25/6	99	95¾	International Bk. 13½% Ln. 1986	97¾	+¼
¶100	£10	28/8	8½	7½	Mid-Southern Wat. 9% Red. Pref. '86	7¾	......
‖	Nil	—	4½pm	2pm	Mount Charlotte 7½% Cnv. Ln. 1995-2000	2pm	−1
99	F.P.	27/6	99	93	Newcastle Water 7¾% Red. Pref. 1986	93	......
* *	F.P.	10/7	92	90	Photax 11% Cum. Pref.	90	......
¶98	F.P.	28/8	96½	92½	Sund. & S. Shields Water 8% Red. Prf. '87	92½	......
96¾	F.P.	—	98½	90¾	Swansea (City of) 13¾% Red. 2006	93	−½

"RIGHTS" OFFERS

Issue Price p	Am'unt paid up	Latest Renunc. Date ●	Latest Renunc. Date ■	1981 High	1981 Low	Stock	Closing price p	+ or −
190	Nil	6/7	4/9	46pm	32pm	AGB	32pm	......
64	F.P.	1/6	10/7	87	81	Amal. Power Eng.	85	......
190	F.P.	1/6	13/7	252	207	Barratt Devs.	232	+5
380	F.P.	4/6	3/7	467	458	Bestobell	464	......
25	F.P.	22/5	3/7	34	31	Brit. Dredging	30	......
275	Nil	—	—	46pm	38pm	B.P.	41pm	−3
390	Nil	—	—	33pm	24pm	B.P. (H.M.G.)	26pm	−2
77	F.P.	5/6	3/7	89	80	Cadbury Schweppes	89	......
500	F.P.	19/6	15/7	£101½	550	Comm. Bk. of Near East	£101½	......
165	Nil	3/7	7/8	26pm	19pm	Crouch (D)	19pm	......
150	F.P.	17/6	15/7	160	152	Elbar	150	......
375	Nil	—	—	35½pm	30pm	English Association	32pm	......
50	Nil	6/7	7/8	54pm	45pm	Euro Ferries	48pm	+½
55	F.P.	12/6	11/8	68	65½	Fine Art	68	......
255	Nil	—	—	125pm	84pm	Flight Refuelling	125pm	+8
90	Nil	—	—	42pm	31½pm	Geers Gross	42pm	+2
260	F.P.	17/6	24/7	340	269	G.R.E.	336	−4
105	P.P.	—	—	109	66	Hong Kong & Shanghai Bk.	104	......
205	F.P.	8/6	24/7	270	247	Horizon Travel	270	......
‖	F.P.	15/5	24/6	102	93	L'nd'n Shop Pr'p 9% Cnv94-99	93	......
315	F.P.	26/6	7/8	343	332	Lyle Shipping	332	......
70	F.P.	17/6	24/7	78½	72	Northern Engineering	78	+1½
50	Nil	9/7	12/8	25pm	18pm	Old Swan Hotel (H'gate)	20pm	......
60	F.P.	26/6	7/8	69	62	Second City Props	69	+4
131	F.P.	8/6	3/7	163	141	Smurfit (Jefferson)	163	......
6	P.P.	6/5	21/9	11½	6½	Sterling Credit	9¾	......

Renunciation date usually last day for dealing free of stamp duty. *b* Figures *based on prospectus estimate. g Assumed dividend and* yield. *u* Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimate for 1981. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking *only for restricted dividends. § Placing price to public. p* Pence unless otherwise indicated. ¶ Issued by tender. ‖ Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or take over. ‖‖ Introduction. □ Issued to *former preference holders.* ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. * With warrants. †† Dealings under special Rule. ‡ Unlisted Securities Market. ‡‡ London Listing. ‡ Effective issue price after scrip.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS — Figures in parentheses show number of stocks per section	Wed., July 1, 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Tues. June 30 Index No.	Mon. June 29 Index No.	Fri. June 26 Index No.	Thurs. June 25 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (214)	357.26	+0.9	10.20	4.33	12.12	353.98	353.03	353.15	350.99	250.01
2	Building Materials (25)	306.07	+0.7	13.32	5.68	9.14	304.02	303.21	303.42	305.39	241.88
3	Contracting, Construction (28)	562.95	+0.9	16.81	5.03	6.98	558.05	552.21	553.21	554.61	363.95
4	Electricals (29)	1163.79	+1.4	7.22	2.21	17.11	1148.08	1145.47	1146.88	1124.07	678.16
5	Engineering Contractors (11)	496.02	+1.0	12.02	5.44	10.03	491.10	485.52	485.35	486.42	305.14
6	Mechanical Engineering (69)	216.64	+0.6	12.76	5.51	9.79	215.41	215.07	213.99	212.54	166.76
8	Metals and Metal Forming (13)	154.72	+0.4	10.57	7.68	12.50	154.09	154.18	154.32	157.93	162.41
9	Motors (21)	102.84	−0.2	3.87	6.79	97.37	103.06	103.24	103.21	102.64	98.11
10	Other Industrial Materials (18)	383.58	+0.8	9.56	5.21	12.57	380.47	379.92	381.64	384.01	0.00
21	CONSUMER GROUP (195)	285.44	+0.5	12.51	5.59	9.75	284.00	282.83	282.04	283.18	226.68
22	Brewers and Distillers (20)	323.20	−0.1	14.26	5.96	8.34	323.58	320.88	321.37	323.15	281.99
25	Food Manufacturing (21)	264.11	+0.4	14.77	6.26	8.15	263.05	261.74	259.10	258.70	205.97
26	Food Retailing (14)	542.94	+1.3	9.14	3.27	13.02	535.83	538.92	531.88	534.17	324.47
27	Health and Household Products (7)	341.05	+0.8	8.12	4.29	14.67	338.26	336.67	333.92	333.84	219.36
29	Leisure (22)	436.83	−0.2	11.39	4.82	10.65	437.78	433.75	432.46	434.60	329.73
32	Newspapers, Publishing (12)	504.68	−0.5	12.33	5.93	11.53	507.42	505.30	503.48	502.67	445.98
33	Packaging and Paper (13)	149.63	+0.9	14.04	7.12	8.46	148.31	145.87	145.85	146.71	129.23
34	Stores (44)	261.08	+1.0	11.03	5.06	11.88	258.61	259.29	259.02	261.46	216.75
35	Textiles (23)	162.61	+0.3	7.68	5.64	18.39	162.14	162.50	163.04	163.94	133.46
36	Tobaccos (3)	267.10	+0.3	21.65	9.29	5.30	266.32	266.43	265.06	264.57	220.10
39	Other Consumer (16)	305.03	+0.3	6.01	6.23	29.29	304.08	302.47	303.22	302.61	0.00
41	OTHER GROUPS (79)	228.71	—	13.08	6.62	9.32	228.69	228.11	227.22	228.67	217.51
42	Chemicals (15)	282.99	+0.2	11.51	7.34	10.86	282.40	281.89	279.37	282.72	315.50
44	Office Equipment (6)	117.49	—	15.71	7.12	7.51	117.48	115.93	115.79	116.10	107.56
45	Shipping and Transport (13)	546.95	+0.4	15.63	6.94	7.55	544.67	541.67	547.11	552.69	554.61
46	Miscellaneous (45)	299.04	−0.4	13.23	5.57	9.23	300.12	300.25	299.05	299.00	262.31
49	INDUSTRIAL GROUP (488)	301.95	+0.6	11.71	5.24	10.47	300.14	299.13	298.60	298.75	237.83
51	Oils (12)	713.90	+0.3	23.54	8.03	4.71	711.72	715.30	711.51	717.09	810.91
59	500 SHARE INDEX	335.34	+0.6	13.70	5.71	8.68	333.50	332.85	332.07	332.64	282.30
61	FINANCIAL GROUP (118)	267.30	−0.1	—	5.47	—	267.63	263.97	262.05	260.55	219.79
62	Banks (6)	276.47	—	33.16	6.56	3.51	276.46	269.91	266.27	265.72	231.99
63	Discount Houses (10)	281.22	+0.3	—	8.02	—	280.46	279.15	280.98	280.98	261.62
64	Hire Purchase (3)	259.50	+0.1	11.80	7.00	11.73	259.17	257.14	257.14	257.47	216.40
65	Insurance (Life) (10)	267.73	−0.4	—	5.65	—	268.80	265.42	264.03	264.91	213.21
66	Insurance (Composite) (9)	172.04	−1.2	—	7.41	—	174.17	171.84	170.87	168.85	147.79
67	Insurance Brokers (8)	400.72	+0.5	11.14	5.79	12.19	398.63	390.25	387.43	386.89	316.04
68	Merchant Banks (13)	179.00	+0.9	—	4.71	—	177.36	175.28	174.98	174.23	129.69
69	Property (49)	491.02	+0.3	3.61	2.82	38.57	489.35	485.83	475.44	477.88	407.77
70	Miscellaneous (10)	177.93	+0.2	17.88	5.82	6.79	177.58	177.03	176.76	177.19	135.83
71	Investment Trusts (109)	316.80	−0.1	—	4.97	—	317.03	314.52	313.11	302.63	241.98
81	Mining Finance (3)	248.53	+1.2	14.10	5.50	8.33	245.58	247.07	242.03	244.20	236.73
91	Overseas Traders (20)	453.57	−0.1	11.29	6.57	11.02	453.92	449.57	453.09	452.87	387.01
99	ALL-SHARE INDEX (750)	321.83	+0.4	—	5.63	—	320.57	319.14	317.77	318.09	269.16

FIXED INTEREST

	PRICE INDICES	Wed. July 1	Day's change %	Tues. June 30	xd adj. today	xd adj. 1981 to date
	British Government					
1	5 years	107.95	−0.26	108.23	—	5.18
2	5-15 years	104.99	−0.69	105.72	—	6.38
3	Over 15 years	106.57	−0.73	107.35	—	7.78
4	Irredeemables	117.63	−1.19	119.04	—	7.45
5	All Stocks	106.19	−0.56	106.79	—	6.39
6	Debentures & Loans	84.09	+0.05	84.09	—	5.43
7	Preference	63.47	+0.39	63.47	—	3.69

	AVERAGE GROSS REDEMPTION YIELDS		Wed. July 1	Tues. June 30	Year ago (approx.)
	British Government				
1	Low Coupons	5 years	12.40	12.30	11.82
2		15 years	12.97	12.87	11.82
3		25 years	13.15	13.05	11.82
4	Medium Coupons	5 years	14.25	14.08	13.16
5		15 years	14.87	14.74	13.34
6		25 years	14.45	14.32	13.38
7	High Coupons	5 years	14.34	14.17	13.27
8		15 years	15.05	14.92	13.69
9		25 years	14.66	14.56	13.72
10	Irredeemables†		12.51	12.35	11.25
11	Debs & Loans	5 years	15.25	15.25	14.07
12		15 years	15.31	15.31	14.07
13		25 years	15.31	15.31	14.07
14	Preference†		15.65	15.65	15.03

† Flat yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26½p.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Craigmount Fixed Int. Mngrs. (Jersey)
P.O. Box 195, St. Helier, Jersey. 0534 27561
Gilt Fund (Jsy.) 91.3 91.4 −0.7 14.77
Valued weekly Wednesday.

DWS Deutsche Ges. F. Wertpapiersp
Gruneburgweg 113, 6000 Frankfurt
Investa DM34.19 35.90 +0.25 —

Delta Group
P.O. Box 3012, Nassau, Bahamas
Delt. Inv. June 23 $4.83 5.07 — —
London Agents: Kleinwort Benson. Tel: 01-623 8000

Deutscher Investment-Trust
Postfach 2685 Biebergasse 6-10 6000 Frankfurt
Concentra DM17.87 18.32 +0.10 —
Int. Rentenfonds DM63.06 64.64 — —

Dreyfus Intercontinental Inv. Fd.
P.O. Box N3712, Nassau, Bahamas.
NAV June 23 US$33.02 35.13 — —

Duncan Lawrie Inv. Mgt. (Jersey)
15-17, New St., St. Helier, Jersey 0534 73637
DL Sterling 40.0 42.0 — 7.00
DL International $1.33 1.40 — 6.10

Emson & Dudley Tst. Mgt. Jrsy. Ltd.
P.O. Box 73, St. Helier, Jersey. 0534 73933
E.D.I.C.T. 162.0 173.8 — 2.20

The English Association
4 Fore Street, EC2. 01-588 7081
E. A. Income Fund* 66.6 70.9 +0.6 7.05
E. A. Sterling* £69.31 69.36 +0.12 —
E. A. Equity* £70.24 74.73 +0.08 1.67
Wardgate Cm. Fd.** £17.33 18.03 +0.13 2.77
*Next dealing July 8. **Next dealing July 31.

Eurobond Holdings N.V.
Pietermaai 15, Willemstad, Curacao.
London Agents: Intel 15 Christopher St., EC2
Tel: 01-377 1040. Telex 8814408.
Euro Hldgs. US$20.24 20.84 — 9.20

S.G. Europe Obligations S.A.
9, Avenue de la Liberte, Luxembourg
London Agent: FFS, Salisbury Hse, London Wall EC2M 5TA. Tel. 01-920 0776 Telex 887281
Europe-Obligations US$41.92 −0.38 1.96

F & C Mgmt. Ltd. Inv. Advisers
1, Laurence Pountney Hill, EC4. 01-623 4680
F&C Atlantic Fd. SA US$12.09 — 1.22
F. & C. Oriental Fd. US$24.97 — 0.40
Prices June 26. Weekly dealings.

Fidelity International Ltd.
P.O. Box 670, Hamilton, Bermuda.
8, Queensway Hse., Queen St., St. Helier, Jersey, C.I. 0534 71696
American Assets US$41.29 −1.30 1.10
Am. Vals. Cum. Pf. $3* $101.50 — —
American Vals. Com.* $18.69 — —
Dollar Savings Trust US$80.96 — 16.90
Far East US$35.14 −0.23 —

Hill Samuel Investment Mgmt. Intnl.
P.O. Box 63, Jersey. 0534 27381
HS Channel Is. Fd. 147.8 157.6 — 3.25
H.S. Fxd. Int. Fd. 91.0 95.8 —
H.S. Intnl. Gth. Fnd. 117.1 124.8 —
Box 2622, Berne, Switzerland.
H.S. Overseas Fd. US$25.80 26.00 −0.23
CSF Fd. (Acc.) SF18.74 19.13 +0.03
Crossbow Fd. SF7.26 7.39 −0.01
ITF Fd. (Acc.) US$14.04 14.30 −0.04

I.C. Trust Managers Ltd.
10, St. Georges St., Douglas, IoM
Int. Commodities Tst. 100.4 106.9
Next dealing day July 1.

N.V. Interbeheer
P.O. Box 526, Delft, Holland
Esmeralda (Offer Pce) DF73.42 — +0.19

International Bond Trust
2, Boulevard Royal, Luxembourg
NAV June 26 US$9.70 9.70 −0.07

International Pacific Inv. Mgmt. Ltd.
P.O. Box R237, 56, Pitt St., Sydney, Aust.
Javelin Equity Tst. A$4.12 4.24 −0.09

Jardine Fleming & Co. Ltd.
46th Floor, Connaught Centre, Hong Kong
Jardine J'pn. Fd. Y2,753
Do. (Accum.) Y2,761
J.F. Japan Small Co. Y12,148
J.F. Japan Technology Y10,697
Jardine Estn. Tst. HK$1,045.82
J. F. Pac. Secs. (Inc.) HK$36.23
Do. (Accum.) HK$36.64
Jardine Flem Int. HK$28.84
J. F. S.E.A. US$51.71
Do. (Accum.) US$52.01
J.F. Cur. &Bd. Fd. (Inc.) US$11.73
Do. (Accum.) US$13.06
Japan & Pacific CnvTst US$12.85 +0.35
NAV June 15.
London Agents: Robt. Fleming & Co. Tel: 01-283

Leopold Joseph & Sons (Guernsey)
Hirzel Ct., St. Peter Port, Guernsey.
L.J. Sterling Fund £13.34 13.35
For Kemp-Gee see Scrimgeour Kemp-Gee.
For Keyser Ullman see Central Assets Management

King & Shaxson Mngrs.
1, Charing Cross, St. Helier, Jersey. (0534)
Valley Hse., St. Peter Port, Grnsy. (0481)
1 Thomas Street, Douglas, I.O.M. (0624)
Gilt Fund (Jersey) 7.31 7.35
Gilt Trust (I.o.M.) 87.6 89.8
Gilt Fnd. Guernsey 7.69 7.74 −0.15
Intl. Govt. Secs. Tst.
First Sterling £15.19 15.28
First Intl. $201.91 203.08

Kleinwort Benson Group
20, Fenchurch St., EC3. 01-623
Guernsey Inc. 96.2 105.7
Do. Accum. 132.3 145.3
K.B. Eurobond Fd. £9.63 9.74
K.B. Far East Fd. US$27.80
K.B. Gilt Fund £9.18 9.24 −0.37
K.B. Int. Bd. Fd. Inc. US$86.98
K.B. Int. Bd. Fd. Acc. US$104.95
K.B. Intl. Fund $17.62
K.B. Japan Fund US$50.45
K.B. Stert. Asset Fd. £12.66 12.68
K.B. U.S. Gwth. Fd. US$22.80
Signet Bermuda US$7.81
Transatlantic Fd. US$74.79 −0.15

Kredietbank N.V. (Belgium)

هكذا من الأصل

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Am. Gth. Tst.	65.2	70.2	+0.9	2.07
Abbey Capital	[illegible]	[illegible]	+0.1	[illegible]
Abbey General	[illegible]	[illegible]	+0.3	[illegible]
Abbey Gilt & F.I. 1st.	101.0	106.3	-0.4	12.32
Abbey Income	[illegible]	[illegible]	+0.1	[illegible]
Abbey W'w.Bd.Tst.	[illegible]	101.5	+1.1	6.60
Abbey Inv. Ts. Fd.	[illegible]	[illegible]	.....	4.03
Equitas Prog. Tst.	86.2	93.2	+0.6	4.39

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314

AHR Gilt Trust	83.0	88.2	-0.3	12.95

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds

Allied 1st.	94.7	101.3	+0.2	5.53
Brit. Inds. Fund	80.7	86.3	+0.2	5.91
Growth & Income	54.1	57.9	.....	4.32
Elect. & Ind. Dev.	48.7	52.1	+0.3	4.80
Allied Capital	104.2	111.5	+0.5	[illegible]
Hambro Fund	139.7	149.5	.....	[illegible]
Hambro Acc. Fund	198.3	212.2	.....	3.86

Income Funds

High Yield Fd.	71.0	76.0	+0.2	7.89
High Income	85.7	91.7	+0.1	[illegible]
Equity Income Fd.	49.3	52.8	-0.1	[illegible]
Govt. Secs.	24.1	24.7	-0.2	12.55

International Funds

International	40.1	42.9	+0.4	1.93
Japan Fund	31.2	33.4	+0.3	0.79
Pacific Fund	84.1	90.0	+1.0	0.70
Secs. Of America	90.1	96.4	+0.6	1.71

Specialist Funds

Smaller Co.'s Fd.	60.6	64.8	.....	3.43
2nd Smlr. Co's Fd.	75.6	80.9	+0.3	3.71
Recovery	29.4	31.5	+0.1	4.48
Met. Min. & C'dty.	68.4	73.2	+0.2	5.01
Overseas Earnings	74.0	79.2	+0.2	4.92

Exempt Funds

Income Exempt	55.5	58.3	+0.3	7.46
Far East Exempt	[illegible]	[illegible]	+0.9	[illegible]

Craigmount Unit Tst. Mgrs. Ltd.
Bucklersbury, London EC4N 8BD. 01-248 4984

High Income	37.0	40.4	+0.1	11.25
North American	73.7	79.6	+0.3	2.15
Canadian Exempt*	80.1	84.7	.....	2.72
Canadian Trust	74.3	80.3	+1.4	2.20
Mid Mount High Inc.*	49.7	52.8	.....	9.16
Recovery	61.0	66.6	+1.5	6.46
Gilt Trust	40.8	42.7	-0.1	13.57

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	49.1	53.0	+0.3	0.47
Cres. Internat'l.	96.3	104.0	+0.8	1.44
Cres. High. Dist.	46.0	49.6	.....	9.07
Cres. Reserves	53.8	58.1	+0.4	5.16
Cres. Tokyo	42.9	46.3	+0.4	0.27

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	23.7	25.1	.....	8.31

Discretionary Unit Fund Managers
36/38 New Broad St, EC2M 1NU. 01-638 4485

Disc. Inc. June 26	256.9	274.0	.....	4.84

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	19.9	22.0	.....	7.48
Gt. Winchester O'seas	30.5	33.8	.....	2.98

For Emson and Dudley see Robert Fraser Tst. Mgmt.

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	97.1	102.2	+0.4	4.25

Fidelity International Management Ltd.
62-63 Queen St, London EC4 1AD 01-248 4891

American (z)	44.2	47.6	+0.2	0.44
Amer. Spec. Sits. (z)	32.9	35.4	+0.3	0.30
Gilt + Fixed Int.	23.5	24.7	-0.1	12.94
Growth + Income	34.8	37.5	+0.1	6.90
Maximum Inc. Eq. Tst.	30.3	32.6	+0.1	8.05
Special Sits.	43.9	47.3	-0.3	1.59

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l	44.6	47.9	+1.4	1.32
Accum. Units	55.5	59.7	+1.6	1.32
J. Finlay High Income	37.8	40.6	-0.1	9.75
Finlay Wld. Energy	19.7	21.2	+0.9	1.07
Accum. Units	25.5	27.4	+1.3	1.07
J. Finlay Fd.In.Tst.	42.0	45.2	+0.3	4.00

Lloyd's Life Unit Tst. Mngrs. Ltd.
2, St. Mary Axe, EC3A 8BP. 01-623 6114

Local Authorities' Mutual Invest. Tst.*
77, London Wall, EC2N 1DB.

M & G Group (y)(c)(z)
Three Quays, Tower Hill, EC3R 6BQ. 01-626 4588

American, (Accum. Units), American Recovery, (Accum. Units), Australasian, (Accum. Units), Commodity, (Accum. Units), Compound Growth, Conversion Growth, Conversion Income, Dividend, (Accum. Units), European, (Accum. Units), Extra Yield, (Accum. Units), Far Eastern, (Accum. Units), Fund of Inv. Tsts., (Accum. Units), General, (Accum. Units), Gilt Income, (Accum. Units), High Income, (Accum. Units), Japan, (Accum. Units), Magnum, (Accum. Units), Midland, (Accum. Units), Recovery, (Accum. Units), Second General ...

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

LOANS

Public Board and Ind.

Financial

FOREIGN BONDS & RAILS

AMERICANS

CANADIANS

BANKS AND HIRE PURCHASE

Hire Purchase, etc.

BEERS, WINES AND SPIRITS

BUILDING INDUSTRY, TIMBER AND ROADS

CHEMICALS, PLASTICS

DRAPERY AND STORES

ELECTRICALS

ELECTRICALS—Continued

ENGINEERING MACHINE TOOLS

FOOD, GROCERIES, ETC.

FOOD, GROCERIES—Cont.

HOTELS AND CATERERS

INDUSTRIALS (Miscel.)

INDUSTRIALS—Continued

INSURANCE—Continued

LEISURE

MOTORS, AIRCRAFT TRADES

Motors and Cycles

Commercial Vehicles

Components

Garages and Distributors

NEWSPAPERS, PUBLISHERS

PAPERS, PRINTING ADVERTISING

PROPERTY

INSURANCE

PROPERTY—Continued

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

Investment Trusts

INVESTMENT TRUSTS—Cont.

Finance, Land, etc.

OIL AND GAS

OIL AND GAS—Continued

OVERSEAS TRADERS

RUBBERS AND SISALS

TEAS

India and Bangladesh

Sri Lanka

Africa

MINES

Central Rand

Eastern Rand

Far West Rand

O.F.S.

Finance

Diamond and Platinum

Central African

MINES—Continued

Australian

1981 High	Low	Stock	Price	+ or −	Div. Net	C'vr	Y'ld Gr's
43	32	Acmex 50c	43		Q2.5c	—	3.4
41	14	ACM 20c	36	−1	—	—	—
21	14	Argosy Gold NL 25c	17		—	—	—
229	137	Bond Corp.	229	+5	Q7½c	1.9	2.9
104	76	Bougainville 1 Kina	96	+2	Q25.7c	1.9	15.3

Tins

Copper

Miscellaneous

NOTES

REGIONAL MARKETS

OPTIONS

3-month Call Rates

"Recent Issues" and "Rights" Page 34

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £400 per annum for each security

FINANCIAL TIMES

Thursday July 2 1981

Mitterrand tries to ease U.S. fears on defence

By Robert Mauthner in Paris

PRESIDENT Francois Mitterrand yesterday tried to calm the fears of France's allies about the consequences of Communist participation in his Government with a firm statement that he would exercise direct personal control over defence and security matters.

M Mitterrand clearly wanted to reassure those countries, particularly the U.S., which have expressed concern about the possibility of leaks of Western defence secrets to Moscow via French Communist ministers.

"Each minister has a particular task to fulfil to which he should confine himself. As for the President of the Republic, he exercises supreme power, particularly in the fields of foreign affairs and defence," M Mitterrand told Le Monde, the influential Paris newspaper.

But he dismissed as "idle talk" reports that he had given specific assurances to the U.S. regarding military security.

M Mitterrand warmly praised Mr George Bush, the U.S. Vice-President, for his diplomatic attitude at their recent Paris meeting.

But he was sharply critical of the State Department communique which said that Franco-American relations would be affected by the Communist appointments.

M Mitterrand said he fully accepted that other governments found it difficult to understand why he had appointed Communist Ministers. Nor did he have any objection to Mr Bush's statement to journalists expressing the "anxiety" of the U.S. administration.

That was merely the expression of a difference of opinion. The pressure had started when the State Department issued its communique.

"French policy is decided in France and it would not be admissible for the Head of State to be influenced by other considerations than those which he considers to be in the interests of France and the French people."

M Mitterrand clearly did not want to take the matter further, because he added that no additional pressure had been put on him by the U.S.

Justifying his appointment of Communist ministers, M Mitterrand said that on May 10 (the day of his election), the Communists had become members of the "presidential majority" of their own free will.

The President emphasised that, throughout the long quarrels between the Socialist and Communist parties, he had never conceded anything and did not intend to start now. The President of the Republic could at any time impose his will.

Weather

UK TODAY

RATHER cool with showers.

London, S. and S.E. England, E Midlands
Showers, some sunny intervals. Max. 19C (66F).

E. England, S.W. England, S. Wales, W. Midlands, N. and N.E. England, Borders
Sunny spells, cooler in North. Max. 18C (64F).

N. Wales, N.W England, W. Scotland, N. Ireland
Raining, clearing later. Max. 16C (61F)

Rest of Scotland
Brighter later. Cool. Max. 13C (55F).

Outlook: Rather cool, continuing changeable.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	23	73	L. Angt	C	18	64
Algiers	C	25	77	Luxmbg.	C	16	61
Amsdm.	C	17	63	Luxor	S	42	108
Athens	S	32	90	Madrid	S	26	79
Barclna.	S	23	73	Majorca	S	27	81
Beirut	S	29	84	Malaga	F	24	75
Belfast	S	15	59	Malta	S	33	91
Belgrd.	S	21	70	M'chstr.	C	16	61
Berlin	C	17	63	Melbne.	S	15	59
Biarritz	S	21	70	Mx. C.†		—	—
Bmghm.	C	17	63	Miami†	S	27	81
Blackpl.	R	13	55	Milan	S	25	77
Bordx.	S	22	72	Montrl.†	C	16	61
Boulgn.	C	14	57	Moscow	C	23	73
Bristol	C	16	61	Munich	S	20	68
Brussels	C	16	61	Nairobi	C	21	70
Budpst.	S	22	72	Naples	S	25	77
Cairo	S	36	97	Nassau		—	—
Cardiff	R	15	59	Nwcstl.	R	15	59
Cas'b'ca	C	21	70	N York†	F	20	68
Cape T.	C	14	57	Nice	C	22	72
Chicg.†	C	18	64	Nicosia	S	33	91
Cologne	C	19	66	Oporto	S	23	73
Cpnhgn.	C	16	61	Oslo	C	15	59
Corfu	S	31	88	Paris	C	19	66
Denver†	F	18	64	Prague	C	20	68
Dublin	C	16	61	Reykjvk.	C	13	55
Dbrvnk.	S	24	75	Rhodes	S	32	90
Ednbgh.	F	17	63	Rio J'o†		—	—
Faro	C	22	72	Rome	S	25	77
Florence	S	26	79	Salzbrg.	S	21	70
Frankft.	C	20	68	S F'cisc†	S	11	52
Funchal	C	19	66	S. Mritz		—	—
Geneva	S	19	66	S'tago†		—	—
Gibraltar	R	19	66	Stckhm.	R	15	59
Glasgow	F	15	59	Strasbg.		—	—
G'rnsey	C	15	59	Sydney	S	22	72
Helsinki	C	16	61	Tangier	C	20	68
H. Kong	C	29	84	Tel Aviv	S	28	82
Innsbrk.	S	22	72	Tenerife	F	19	66
Invrnss.	F	14	57	Tokyo	C	23	73
I.o.Man	S	15	59	T'ronto†	R	17	63
Istanbul	F	26	79	Tunis	F	29	84
Jersey	C	16	61	Valencia	S	24	75
Jo'burg	S	14	57	Venice	S	24	75
L. Plms.	C	23	73	Vienna	S	21	70
Lisbon	C	24	75	Warsaw	C	18	64
Locarno	S	24	75	Zurich	S	20	68
London	F	19	66				

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

Civil Service dispute slows Whitehall cuts

BY ROBIN PAULEY

THE CIVIL SERVICE strike has upset the Government's programme to improve efficiency and cut jobs in Whitehall.

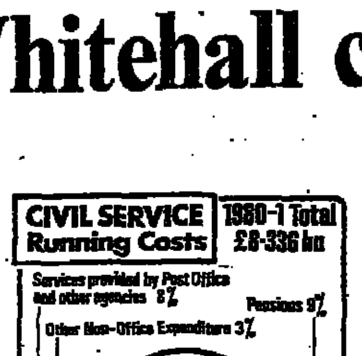
A White Paper on efficiency in the Civil Service, published yesterday shows that 42,000 jobs have been shed since the Conservatives took office in 1979. The saving in salaries is about £270m a year. A further cut of 60,000 jobs planned for the next three years would save another £400m a year on present pay levels.

But Lord Soames, who as Lord President of the Council, is the Minister responsible for the Civil Service, says in a foreword to the White Paper, it is "a matter of great regret that the dispute over pay has interrupted progress."

He goes on "Damage to particular services will have to be made good and this is bound to take time. Morale and public confidence have been set back and will have to be painstakingly rebuilt."

Total running costs of the Civil Service in the last financial year were £8,336bn. In 1981-82, the Civil Service pay bill is expected to be about £5bn with supporting services taking another £1.5bn. Superannuation costs will be about £900m. These costs together account for about 7 per cent of total planned public expenditure.

Savings achieved so far, according to the White Paper, include:



- £50m a year by the Property Services Agency in maintenance, fuel, rent and rates as department staffs have been trimmed and house in fewer buildings which are themselves closer together;
- 1,000 jobs by better methods and organisation in messenger services;
- £42m a year (3,600 jobs) plus £20m a year in non-manpower costs by changing methods of paying social security benefits;
- £7m a year (1,240) jobs) at Inland Revenue by simplifying procedures for dealing with PAYE.

Some of the savings are the result of 68 scrutinies of Whitehall efficiency which have been undertaken over the last two years by Sir Derek Rayner, the Prime Minister's personal adviser on eliminating Whitehall waste and inefficiency. This year there will be about 40 more studies.

Sir Derek so far has identified possible savings of £190m a year (11,000 staff), of which ministers have agreed to £90m.

The Government has started initiatives to tackle what it has identified as underlying obstacles to efficiency. These will clarify management responsibilities of ministers and officials; promote a full knowledge of costs at all levels through an adequate flow of management information; give more accountability to those responsible for the consumption of goods and services and make them carry the costs on their own budget; strengthen internal audit and manpower control; delegate more responsibility.

Improved techniques and working methods will include more and better use of computers. Central government already is the largest user of computers in the UK, with 650 large and medium size computers.

Efficiency in the Civil Service. Cmnd 8293. HMSO, £2.10.

Editorial Comment, Page 20; Heseltine plan unveiled, Page 6; VAT confusion, Page 7; Civil servants step up action, Page 8

City wins reform of share stake restrictions

By Christine Moir

STRONG pressure from the City and professional bodies has forced the Department of Trade to rush through important amendments to its proposed legislation to curb predators from building up secret stakes in companies.

The clauses covering disclosure of interests in shares, due to be debated on Tuesday by the Commons Committee on the Companies Bill, now differ in several respects from the Consultative Document which foreshadowed them.

Several of the main clauses have been rewritten to meet objections that the originals were too convoluted and likely to be unintelligible to ordinary businessmen.

The number of individuals or groups who might be in breach of the new offence, which carries a two-year prison sentence, has been restricted.

Stockbrokers are to be exempt from the general disclosure provisions when they are carrying on business in the U.K. Foreign transactions, such as those carried out for the Malaysian interests which built up stakes in Dunlop, could still be caught if they were in breach of the provisions.

The definition of an interest in a share also has been changed, as a result of pressure from the Council for the Securities Industry. It now includes companies in which an individual either has control or more than a third of the voting shares. The original proposals would have caught individuals with only 20 per cent of a company.

The Stock Exchange is believed to have forced another change which means that companies will not be able to question stockbrokers whom they suspect of acting as agents for anonymous predactors building up share stakes.

However, the Department of Trade's own powers to extract information have been widened to take in anyone able to provide it.

Minority shareholders concerned about the build-up of sizeable holdings will still be able to force their company to start an inquiry—but only if they can give reasonable grounds for their fears.

The definition of a shareholding has been widened to include the "use, retention or disposal" of shares.

The Government initially refused to include provisions in the Bill to force anonymous shareholders to reveal their identity. However, it bowed to City disquiet after the notorious 1980 "concert party" attack on Consolidated Goldfields, when companies within the De Beers groups separately accumulated a near 15 per cent stake in Goldfields without having to show their hand.

The new clauses, even with the amendments from the May Consultative Document, will not satisfy all the criticisms, however. The CSI, for instance, believes it will be relatively easy for determined predators to find ways of covering their tracks so that they do not need to disclose their growing interests.

Comecon prime ministers in first summit since Polish crisis

BY ANTHONY ROBINSON, EAST EUROPEAN CORRESPONDENT

PRIME MINISTERS of Comecon, the ten nation communist economic bloc, meet in the Bulgarian capital Sofia today for their first summit since Poland's political and economic crisis erupted last August.

Although this is formally a regular annual meeting there are indications that this gathering will mark the first stage of a fundamental reappraisal of Comecon economic strategy for the 1980s.

The need to shore up the Polish economy and limit the repercussions of that country's economic crisis on the economies of its Comecon partners will be high on the agenda.

The Sofia summit takes place 10 years after a similarly ambitious summit meeting in Bucharest in 1971. This outlined a programme for closer integration of the Comecon economies and the creation of several large joint investment projects such as the Soyus gas pipeline in the Orenburg province and the Ust-Ilimsk cellulose and paper combine also in the Soviet Union.

The intervening years have seen a rapid expansion of intra-Comecon trading but little progress on creating a more flexible, multi-lateral trading system. This would require several institutional innovations, including a fully transferable rouble.

Two major developments over the last decade have had a profound effect on Comecon economies. The first was thes rapid increase in East-West trade and the build up of East bloc hard currency debt to about \$75bn (£39bn).

The second was the worldwide increase in oil and energy prices. This sharply improved the Soviet terms of trade but imposed fresh strains on other resource-poor members of the bloc.

The effect of these developments has been to increase the economic leverage of the Soviet Union both as principal supplier of energy and raw materials and as a market for industrial products. These have frequently proved more difficult to sell profitably on other world markets than originally hoped.

This is particularly so in the case of Poland and of Romania which used to be the principal opponent of plans for further Comecon integration. Romania is now being forced by energy shortages and other economic problems to reverse this stand.

President Nicolai Ceausescu of Romania has now become a vocal advocate of greater Comecon integration and has called for a Comecon summit at party secretary level—which would mean the direct participation of President Brezhnev and all other party leaders, including President Ceausescu himself.

Politically, increased specialisation and a closer integration of Comecon would help to tie Poland and the other Comecon countries more closely into the Soviet sphere of influence.

It could also provide a more stable and secure framework within which the ideological and economic reforms now being contemplated by Poland, and recognised as necessary in many other countries too, could take place without being seen as a threat to Soviet hegemony over the area.

To maintain its influence by this route, however, the Soviet Union is likely to have to pay a heavy economic price.

Recent western studies estimate that the Soviet Union subsidised Eastern Europe by \$6bn in 1978 through the sale of oil at less than world prices and the acceptance of goods inferior in quality to those available from the West.

The subsidy to Poland alone is estimated to have reached \$3.8bn last year. When subsidies to Cuba, Vietnam and the Kremlin's other allies are included, the overal cost to the Soviet Union is well over \$10bn a year—but still cheaper, some feel, than the military occupation of Poland.

Comecon developments, Page 2

Norvic calls in receiver

Continued from Page 1

nasty rash of receiverships. Inevitably, one or two of the rescue operations mounted over the winter will fail."

Norvic, which employs over 1,000 people, had already predicted a loss of about £400,000 for the first half of the current year and borrowings were approaching £4m, which would represent more than 200 per cent of Norvic's shareholders funds.

At 9.30 am yesterday the company asked the Stock Exchange to suspend trading in its shares, which at the suspension price of 6p valued the group at £4.49m.

Mr David Ennals, MP for Norwich North, and Mr John Garrett, MP for Norwich South, were contacted by Norvic over the weekend and told of the company's difficulties. The two Labour MPs, who in early February successfully urged Barclays Bank to extend an extra £750,000 of finance to Norvic, yesterday issued a statement saying that the calling in of the Receiver was "a source of great concern to all those involved, including the workforce, their families and the city itself."

Mr Ennals said yesterday that his intervention in February helped to keep the concern in business and helped to buy time in the hope of an upturn in demand for Norvic products. Barclays rescue "gave Norvic a chance," he said.

But the recession proved too severe and on Tuesday the MPs met the senior management of Norvic and bank executives at Barclays Bank headquarters in London. At this meeting the MPs were told there was no way of keeping Norvic in business in its present form.

According to the two MPs yesterday: "We shall continue to fight in the House of Commons for Government assistance and protection for the British footwear industry and the preservation of jobs."

Howell sets up PWR reactor task force

BY DAVID FISHLOCK, SCIENCE EDITOR

A NATIONAL task force of nuclear industry chiefs has been set up by Mr David Howell, Energy Secretary, to accelerate the design phase of Britain's first pressurised water reactor (PWR) nuclear-power station, Sizewell B, in Suffolk.

The joint task force is drawn from the National Nuclear Corporation (NNC), the Central Electricity Generating Board (CEGB) and the UK Atomic Energy Authority. It is chaired by Mr Walter Marshall, the UK AEA chairman.

Announcing the task force in a Commons written reply yesterday, Mr Howell said he was anxious work on the PWR design, based on the U.S. Westinghouse Electric design of reactor, should proceed as quickly as possible.

The Government also wished to see more use made of the advice and experience on PWR technology available from Westinghouse, the UK AEA and Bechtel Corporation, the U.S. architect - engineering group advising the NNC.

Mr Marshall, 49, who will report directly to Mr Howell on PWR progress, said yesterday it would be virtually a full-time job for him till the end of the public inquiry into the project, scheduled for late next year.

His first job would be to review the existing Sizewell B design. This the CEGB believes will be far too expensive to build.

The Energy Department has also confirmed the appointment of Mr Frank Gibb, a joint managing director of Taylor Woodrow, as part-time chairman of the NNC, the consortium which designs and constructs UK nuclear-power stations.

The need for the national task force, with a chairman in the role of moderator of the PWR project, arose because of the unusually large number of organisations, about 10, with a significant interest in the Sizewell B project.

The station is seen by the Government as the first of a series of 1,150 Mw PWR stations in Britain, based on the U.S. Westinghouse Electric design of reactor.

Safety is the dominant interest of all 10 parties, because it will be the first power-reactor of its kind in Britain and because of changes arising in consequence of the Three Mile Island PWR accident in the U.S.

The involvement of so many organisations made it virtually impossible to reach decisions on the project.

The first warnings were sounded by Mr Marshall and Mr Ned Franklin, managing director of NNC, about 18 months ago. They led last autumn to creation of a policy-making body called the nuclear industry group, chaired by Mr Fred Bonner, CEGB deputy chairman.

In this capacity Mr Bonner recently asked the Energy Secretary to approve the plan for a national task force capable of taking joint engineering decisions, particularly on safety-related matters.

In parallel, Mr. Gibb and Mr. Franklin are reorganising the NNC to give greater authority to the PWR project management.

Present plans call for completion of the deaailed design of SizewellB before the end of the year and publication of the full nuclear-safety case by next May, well ahead of the public inquiry scheduled for late next year.

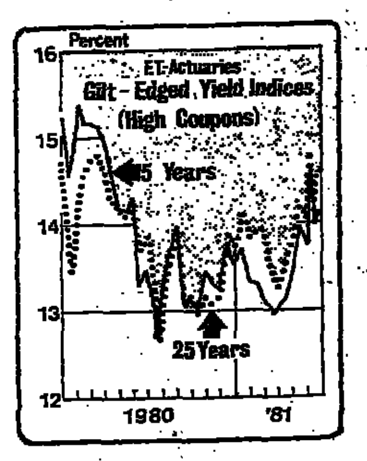
Meeting this tight schedule would be difficult, Mr. Marshall said because of the present state of the project. Unofficial estimates had suggested the design could be more than 50 per cent more expensive to build than the same plant in the U.S.

THE LEX COLUMN

A spoonful short for Berisford

Another upward twist in dollar interest rates—Fed funds were over 20 per cent—increased the pressure on sterling yesterday, and gilt-edged prices were off by ½ point.

Index rose 3.9 to 548.7



Berisford/BSC

S. and W. Berisford's bid for British Sugar Corporation has lapsed, but the story is not yet over. Although Berisford secured hardly any acceptances at the final stage yesterday, it ends up with 38 per cent of British Sugar's equity, which does not represent control but gives it an awesomely powerful position.

Berisford is not allowed to bid again for a year, and it may of course be a seller of its BSC stake. But the raid of June 12, which brought it up from 12 per cent to 36 per cent in one bound, took it in very deep. Quite apart from the difficulty of placing so large a stake at a satisfactory price, it has become clear over the last few months that Berisford's desire to control BSC, which may have begun as an inspired whim, has grown into a major strategic objective.

The BSC stake ties up a lot of Berisford's cash, but that is not too painful since the commodity markets are unexciting at present and the yield on the shares—at Berisford's average purchase price—is around 11 per cent in franked income.

As for BSC, it has no unissued shares with which to grow out of the reach of its powerful and hostile shareholder, and the high profits forecast it has published, and must now achieve, will not make the task of negotiating terms with the beet farmers any easier.

If Berisford does hold on to its stake, there are bound to be large areas of friction with BSC. A Berisford victory would have resolved — in the crudest possible way — the smouldering dispute between BSC and the sugar merchants (dominated by Berisford) who claim that BSC is destroying their business. It is possible now that the merchants may decide to make life as hard as they can for BSC (and Tate and Lyle for that matter) by shipping as much European white sugar into the UK as they can sell.

A win for Berisford would also have left the unpleasant suspicion that BSC had been taken over on the cheap because one very large shareholder — the Government, with 24 per cent — was a declared seller. This holding has been an embarrassment to the Government and an albatross round the neck of BSC. It should now be sold as soon as possible, and nobody should worry that it might have to be placed at a price below the 335p a share that Berisford was offering.

Norvic

The appointment of receivers at Norvic comes almost 10 years after the company was taken over by the asset stripping experts Drakes, headed by Mr Christopher Selmes, which deftly removed and sold the retail assets before refloating the company a year later. Nor had the City's financiers finished with the company. Mr Charles Metcalfe, still chairman at the end, himself dabbled in securities trading which led to large losses in 1974. The subsequent brief Boardroom appearance of Mr Tony Buckley, ex Slater Walker, led to further investment losses.

In the event, the scale of recent trading losses appears to have been so large that past events may not have had all that much bearing on Norvic's possible survival as a manufacturing concern. Yet Norvic's history does not make Barclays Bank any the more pleased at being made to appear a scapegoat for the company's downfall.

Granada

The cost of participating in the video-cassette revolution is a higher depreciation charge which has left Granada's first-half profits only 8 per cent higher at £25.7m. But rental income here has more than offset the slight decline in the TV market and rental operations overall still account for about 60 per cent of profits.

Heavy spending on video-cassette recorders will contribute to a cash outflow of around £10m this year and borrowings will rise again in 1981-82 as Granada prepares for the fourth channel. But the balance sheet is not a cause for concern and, with the franchise renewal out of the way, Granada is so far keeping a tight rein on TV contracting costs.

Advertising revenue in the first half suffered by comparison with the same period of last year, when business was rebounding from the ITV strike, but is now showing a genuine upturn, making full-year group profits of about £47m look attainable, against £42.5m.

This would leave the shares, down 6p yesterday at 246p, on a distinctly exotic earnings multiple and even the prospective gross cash flow multiple of about 5¼ times is on the high side for a rental company. But, even in its minor businesses, Granada has earned a reputation for outperformance and its assets should be earning enviable amounts of cash three years from now. The prospective yield is 2.8 per cent.

UK insurance

Competition in the UK insurance market seems to be hotting up. A number of companies have been making a pitch at the motor insurance sector, and now General Accident—which is far and away the biggest motor insurer with about a sixth of the market—has decided not to increase its premiums in August, its annual review date. It had already ruled out a minor increase which was originally on the cards for last February, and it now intends to hold 1980 premium levels "at least for the next few months."

Claims frequencies fell by 3 per cent in 1980 and continue to decline, and the mild winter has also been a help. But the cost of the average claim rose by about a fifth last year, and General Accident's move seems bound to lead to some deterioration in the results from this class.

Reasons for the squeeze include the recession, which has led to surplus capacity in the commercial classes, and increasing inroads by foreign companies into traditionally attractive lines like commercial fire. On one estimate, over a fifth of this sector is now in the hands of foreign companies. The UK remains very profitable by international standards but companies like General Accident are having to fight to hold their position.

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